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# Management RECORD

October, 1961 • Vol. XXIII • No. 10

- Personnel Administration Revisited
- Company Medical-department Costs
- A Job-centered Appraisal Program
- A Control Unit for Top Management



NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

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# Management Record

October, 1961

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Vol. XXIII, No. 10

## • In the Record •

### Personnel Administration Revisited—In One Company

In fifteen years a lot can happen to a person. The forty-year-old housewife may have added inches to the waistline she had at twenty-five. But corporations are not people; theoretically at least they can live forever. However, fifteen years can make a difference with them too, particularly in a period of upheaval and change.

To get some idea of what may be happening to the personnel function, the Board is revisiting various companies that were surveyed in a 1946 study on the "Organization of Personnel Administration." Armstrong Cork is one of these companies.

Not only has the central personnel department changed its name at Armstrong—it's now employee relations—but general streamlining has taken place, as even a quick look at the "Now" and "Then" organization charts of the department indicate. Where eleven units formerly reported to an assistant personnel manager, now three major units report to the director. And while many of the functions are the same today as they were in 1945, the emphasis has shifted: more attention is now given to top-level planning.

In the article starting on the next page, changes in employee relations at Armstrong are examined, using the 1945 data as a benchmark; and trends that may point to further changes in the years ahead are also noted.

### Company Medical-department Costs

Every so often Joe Smith in the machine shop gets a cut on his hand. Joe usually goes to the infirmary, has the cut cleaned and bandaged, and returns to work. What Joe doesn't realize, however, is that his cut is probably getting more expensive each year. The salary of the doctor who treats it, the cost of the materials the doctor uses, and the price of the overhead items that must be added on keep rising.

According to a Conference Board survey of ninety-six identical companies in 1956 and 1961, the total rise in per-employee medical costs over the past five years has been about 10%. These costs do not include health insurance programs. They cover only expenditures for physical examinations, visiting nursing service and on-the-job nurs-

ing care, accident prevention programs, dental care, and medical supplies and equipment.

The article beginning on page 15 analyzes the absolute and per-unit rise in medical costs in eighty-eight of the surveyed firms and reviews changes in salary ranges for doctors, medical directors, nurses, and other medical department personnel.

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### Rating Managers in Terms of Job Duties

At GE it's performance not personality that counts. The company prefers the job-centered appraisal method to the trait-oriented approach. The sole criterion is how well the individual performs in terms of the responsibilities outlined in his position guide.

This is the basic philosophy. However, since GE is a decentralized company, its plants and divisions are free to change, modify, or adapt the headquarters plan. The article beginning on page 23 examines how GE's Small Aircraft Engine Department in Lynn, Mass., has applied the company's method. The department's rating system and its appraisal interviewing procedures are reviewed, and a sample position guide, appraisal form, and personal goal sheet are included.

• • •

### A Control Unit for Top Management

When the left hand doesn't know what the right hand is doing . . . things can get out of hand.

This is precisely what can happen when a company decentralizes its operations and, as a result, the chief executive is unable to maintain over-all control.

In dealing with this problem, some executives have created a management control unit as a means of preserving the coordination necessary to implement the policies, procedures and objectives of the company.

Such a control unit was created by the County Trust Company with responsibility in six over-all control areas: budget, reports, production and manpower, quality, management audit, and the recording of due-dates and follow-up. An analysis of the unit's activities is contained in the article appearing on page 10.

# Personnel Administration Revisited— In One Company

EARLY IN 1945, the Armstrong Cork Company, like so many other businesses, was helping this country win World War II. Not only had Armstrong converted existing equipment to produce such items as concealment material and the coating of Army Duck, but the company had also gone into thirty entirely new businesses, ranging from the machining of shells to the fabrication of aircraft assemblies. At the peak of the war effort, Armstrong employed 19,000 people. Just before the war there were fewer than 10,000 on the payroll.

Not surprisingly, the great increase in the number of employees and the particular situations that arose because of the war were reflected in the services supplied by the general personnel department of the company. Transportation and housing, Selective Service, and food service units were part of the corporate personnel set-up at that time, as the "Then" chart of March, 1945, on page 5, shows.

This chart was originally reproduced in a study of the organization of personnel administration in ten companies, published by THE CONFERENCE BOARD in 1946.<sup>1</sup> The ten companies were chosen for the original study because they were known to have given considerable attention to personnel administration over a period of years. In Armstrong's case, human relations has been important since the company was founded as a partnership in 1860 by Thomas Armstrong, whose views on the subject were outstandingly advanced for his day.

To get some idea of what has happened to the personnel function in the years since the war, the Board is revisiting as many of these ten companies as possible. The material published in the 1946 report will serve as a benchmark.

## ARMSTRONG CORK TODAY

Today, Armstrong Cork, headquartered in Lancaster, Pennsylvania, has over 14,000 employees in this

country and another 3,000 abroad. The "Armstrong line" consists of hundreds of products for home and industry; and the balance between consumer and industrial goods assures a high degree of flexibility to meet ever-changing demands as well as fluctuating economic conditions.

Armstrong's seventeen plants and fifty-six sales offices in the United States are organized as three major profit centers: floor and industrial operations; packaging materials operations; and building materials operations. International operations is the company's fourth major profit center.

What has happened to the central personnel function in the years since the war—a period in which Armstrong, like many other companies, has moved into new product lines, acquired new plants, sold others, and presently in the process of automating some of its operations?

Even a quick glance at the "Now" and "Then" charts on pages 4 and 5 shows that many changes have taken place, both in structure and function.

Structurally, there have been changes in the reporting relationship of the personnel department as well as in its internal organization. In 1945, the general personnel manager reported to the president. Today, because of the increasing complexity of the chief executive's job, Armstrong has a president's office, made up of the president, an executive vice-president, a first senior vice-president, and a senior vice-president. The president now delegates to each of these vice-presidents special responsibility for certain areas of the business which formerly reported directly to him. Normally it is to the first senior vice-president that the director of employee relations reports.

How has this affected the personnel unit? The feeling at Armstrong is that the assignment of specialized duties within the president's office has facilitated close contact with those reporting to this office. One can get through to the "top" without the delay that might be involved.

Company; Owens-Illinois Glass Company; Rheem Manufacturing Company, Inc.; and Thompson Products, Inc. Most of the data for this study were collected in 1945 before the war had ended.

<sup>1</sup> See "Organization of Personnel Administration," *Studies in Personnel Policy*, No. 73. The other nine companies covered in this report are L. S. Ayres & Company; Caterpillar Tractor Co.; The Dayton Power and Light Company; General Foods Corporation; Johns-Manville Corporation; Monsanto Chemical

all units at this level reported to a single individual. Internally, the activities of the department are now grouped as three major units rather than the eleven units that existed in 1945. At that time, all eleven reported to the assistant general personnel manager; now the three units report to the head of the department. This internal reorganization was a consequence of changes in the activities carried out by the department. Shortly after the war, general personnel dropped its air-connected services. In 1955, labor relations was brought into personnel. Until then, and at the time the original Conference Board study was made, all union relations were handled by an industrial relations department that reported to the vice-president, manufacturing. Careful study suggested that industrial relations could be able to do a more effective job if it was moved to personnel. Industrial relations for some time had depended on what was the equivalent of the current personnel research unit for data on employee benefits competing industries and in areas where Armstrong's plants are located. Also, it was felt that there was much gain if the unit that handled union relations worked more closely with other corporate personnel administration people.

### EMPLOYEE RELATIONS AT ARMSTRONG

It was at the time of this 1955 shift that the general personnel department got a new name; the expanded unit was rechristened employee relations. But after absorbing one unit, it lost another. Recently the employee information section, with the exception of the suggestion program, was moved into public relations, so that PR is now responsible for getting out the quarterly company magazine and the biweekly *Management Letter*. The reason for this shift has largely to do with the skills of the people involved. Armstrong does a great deal of its own promotional and advertising work, with writers, editors, and production people making up an important segment of the advertising, promotion, and public relations function. Therefore it seemed logical to move all publications into the latter function.

The *Management Letter* is, as the title suggests, directed to management personnel. It gives information on the general state of business as well as on specific developments within the company concerning marketing, production, personnel, finance, industrial relations and so on.

The *Armstrong Reporter* goes to all employees and covers subjects of general interest; it has more of the "human side" of the company's news.

Other changes that have taken place during the fifteen-year period include the discontinuance of the

employees' grocery store and the shifting of the company library to another unit.

### The Objectives

The corporate personnel group, its director points out, "is a staff organization oriented to assist—both at plant and corporate levels—in meeting the objectives of the company. The particular company objective we in personnel are most concerned with is: 'To maintain a highly productive, energetic, and loyal organization of men and women by selecting and training capable employees and by providing good working conditions, competent leadership, compensation on the basis of performance, opportunity for growth and development, and a high degree of employment security.'"

At Armstrong, personnel operates on two levels; there is the corporate unit and there are the various plant personnel departments. This means, of course, that there are not only the traditional line-staff relationships, which have been so thoroughly explored in management literature, but also staff-staff contacts involving the corporate personnel group and the plant personnel departments. This staff-staff relationship, although neglected in most textbooks, is important in terms of keeping corporate-level personnel informed about what is happening at the plant level and, in turn, of keeping plant personnel informed of various corporate facilities and services.

Despite more emphasis on top-level planning and control today as well as a certain amount of decentralization of services since 1945, at Armstrong a strong central personnel staff still serves the various plants. Perhaps a closer look at the three major units that make up employee relations will be useful. These are: industrial relations, personnel research, and personnel administration.

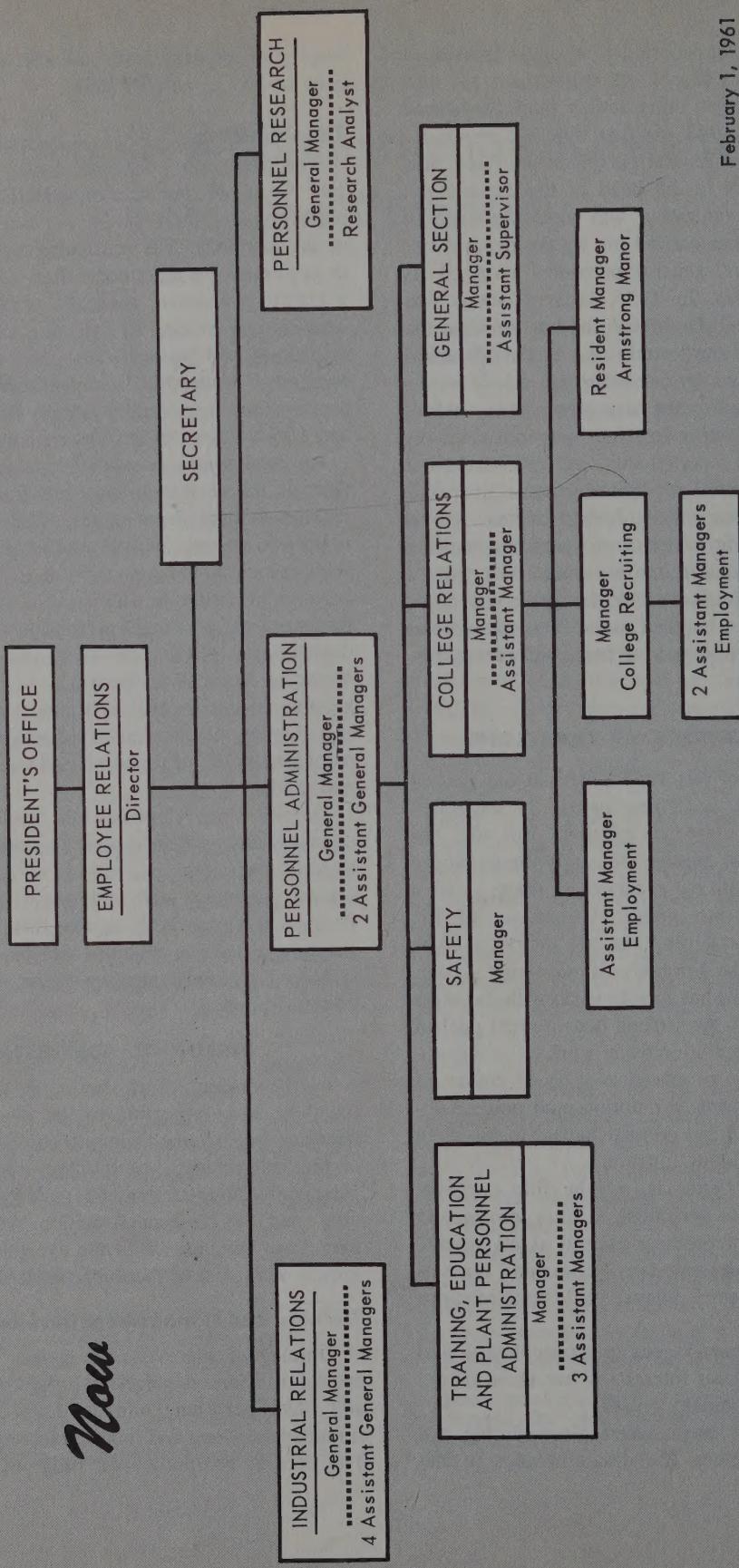
### PERSONNEL ADMINISTRATION

As the current chart shows, the most extensive of the three units reporting to the director of employee relations is personnel administration. This is made up of four subgroups: (1) training, education, and plant personnel administration; (2) safety; (3) college relations; and (4) the general section. Although not all the names are the same, with the exception of safety these groups were part of the department in 1945.

### Training and Management Development

Training of supervisors is a very important service offered to plant managers by the training, education, and plant personnel administration unit. Supervisory training has a long and honored history in the company. The current comprehensive program, which was first

*Now*



February 1, 1961

PRESIDENT

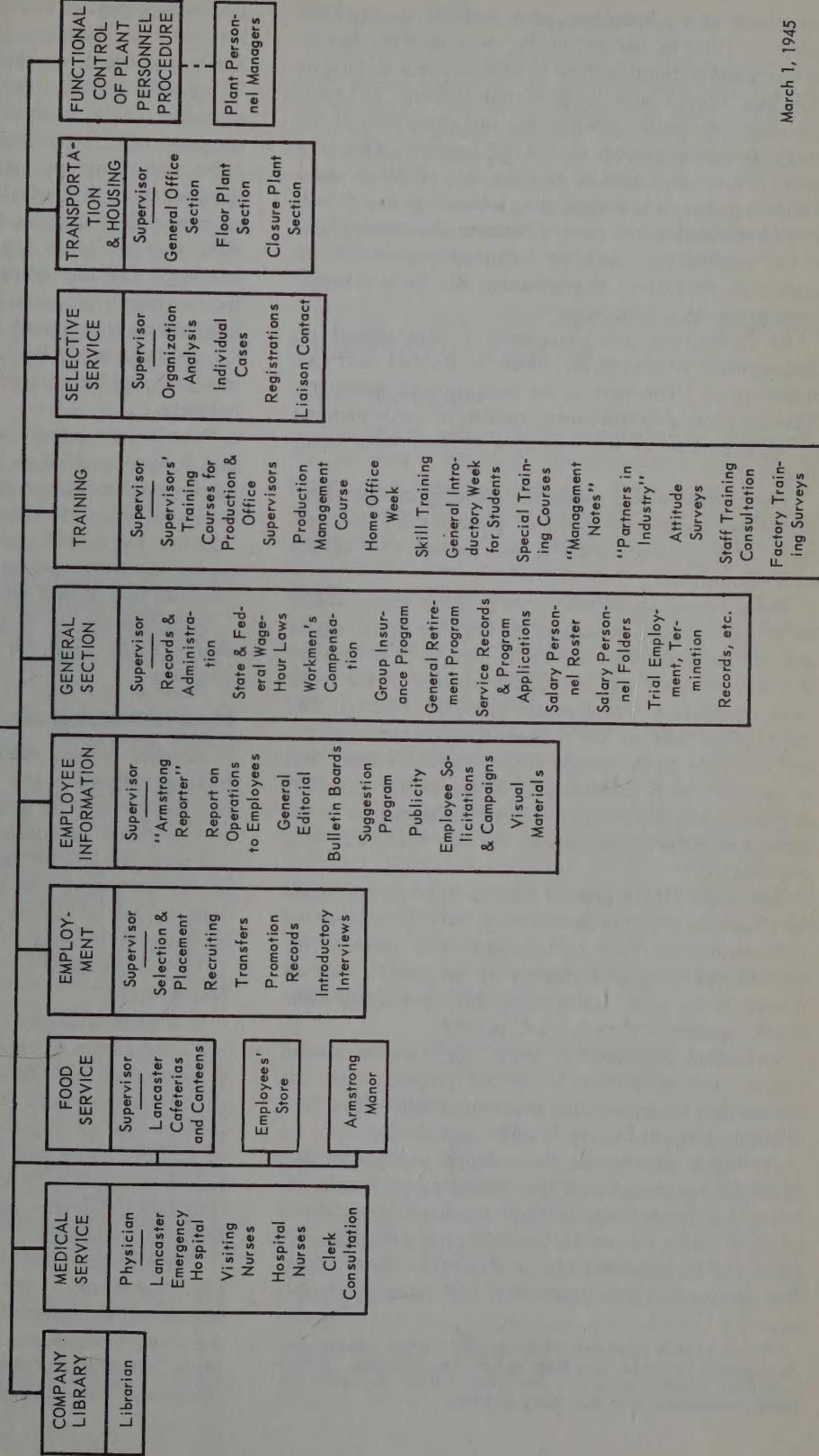
GENERAL PERSONNEL MGR.

ASSISTANT GEN.  
PERSONNEL MGR.

SENIOR PERSONNEL ASSISTANT

Personnel Policy and  
Program Development  
Federal and State Legislation  
Miscellaneous Studies

*Then*



introduced in an Armstrong plant in 1951, covers both selection (that is, identifying the best-qualified hourly workers and promoting them to shift foremen as soon as openings occur) and a three-step training program, covering both on-the-job training and attendance at the production-management course in Lancaster. This program is not "presented as an edict that all plants must follow"; rather, it is suggested as a checklist to aid each plant in the training of its new foremen. Armstrong feels it has worked well, and the company considers it an important method of strengthening the plant-management group on a long-range basis.

At Armstrong, great emphasis is also placed on management development, which is divided into two major areas.<sup>1</sup> The first is the management inventory. This involves a performance review of each member of management by his superiors at least once every two years.

This review provides data for planning management-manpower needs and indicates priorities for management development, which is the second part of the over-all program.

While Armstrong stresses each person's responsibility to develop himself, as well as his key role in helping to develop the men who report to him, it is recognized that not everyone can be equally assisted at the same time; therefore a "development priority" is useful. The needs of the unit are the over-all determinant in selecting who is to be developed at any particular time, but, in general, the A priority goes to the people classified as promotable. However, if a promotable man is developing satisfactorily on his own, he may need little help or guidance.

The B priority in general goes to those people listed as unsatisfactory and satisfactory; this is because an improvement in their performance may increase the over-all operating performance of the unit, which, of course, is the goal. Outstanding and thoroughly satisfactory people tend to get a C priority.

Individual development plans may involve special courses and assignment to special projects; also, the person may be temporarily or permanently shifted to a different position to gain broader experience.

A recent addition to the company's management-development program is the management course, directed by the assistant general manager of personnel administration; this course has been held annually since 1959 at the Princeton Inn in Princeton, New Jersey. It is designed to both supplement and stimulate on-the-

job development. The course is limited to twenty-four men who are selected by the president's office from those nominated by division and department heads. The course runs for twelve days and is made up of case discussions, conferences, and seminars, with top company officers participating in the discussions.

Another program for which this training unit is responsible is "introductory week," which introduces all new college trainees to headquarters in Lancaster. Here they are given a picture of the "corporate personality." The new employees meet and hear talks by the company's top executives, who supply background information on company history, company organization, the products made by Armstrong, the type of people who make up the company, and its philosophy of doing business.

Training, education, and plant personnel administration is also involved in training sales people, although the instruction itself is given by the divisional managers to which the salesmen have been assigned. An intensive five-month course is designed to inform the trainee, from the ground up so to speak, all about the products that he will later be selling.

Sales trainees live at Armstrong Manor, a company-owned home used for the divisional sales training program.

#### Plant Attitude Surveys

Another service offered to line managers by the training, education and plant personnel administration is a unique type of attitude survey. Armstrong has a long tradition of concern with its employees' feelings and attitudes toward the company, and is considered one of the pioneers in exploring this area. It has used various types of attitude surveys over the years, but the company is inclined to feel that the one adopted in 1955 has the most to recommend it. Briefly, here is how it works.

If a plant manager requests it, corporate personnel will send a team of experienced interviewers to "listen" to employees talk about whatever is on their minds concerning their work. Although this is a time-consuming process—for an employee is allowed to talk for as long as an hour and a half if he is so inclined—Armstrong feels it is worth it to get a picture in depth of what is troubling employees as well as what they like about their work situation.

The interviews are recorded as nearly as possible in the exact words of the employee. When the survey is completed, the material is organized so that each working group's comments on each subject are listed separately. Obviously, this is important, as "working conditions," for example, might get favorable mention

<sup>1</sup> For a detailed case study of Armstrong Cork's management-development program, see "Management Development—A Ten-year Case Study," *Studies in Personnel Policy*, No. 140, National Industrial Conference Board, 1953.

from a white-collar staff group but be rated relatively unfavorably by a plant-production group.

The material is also charted in terms of the number of favorable and unfavorable comments of each group on each subject; in this way the plant manager can get an immediate picture of trouble spots. But, perhaps even more important, the spontaneous comments of the employees interviewed serve as an excellent in-depth method of enabling the higher echelons to gather basic information that they might never obtain otherwise.<sup>1</sup>

This same unit that handles training and education is also responsible for plant personnel administration. Corporate people in this unit visit all Armstrong plants regularly. Their particular concern is with the salaried employees. Also, they assist plant personnel units with their training programs, or any problems that may arise. Corporate industrial relations people, as is pointed out later, also maintain direct contact with the various plants; naturally their concern is with the hourly people.

### Recruiting and Hiring

Moving on to another section of personnel administration, one finds a very important centralized service performed by the college relations group. College relations recruits all exempt salaried people for all of Armstrong's plants, as well as college graduates as such. It might be noted that an unusually high percentage of Armstrong's male salaried people (47%) are college graduates.

College recruiting is another area where this company has done pioneering work. Early in the century it decided that, rather than wait for graduates to approach the company for employment, it might better go to the colleges. So in 1913 company representatives visited Pennsylvania State College and the University of Kentucky. In recent years college relations has contacted about 310 colleges and universities annually to advise them of employment opportunities, and about seventy are visited personally.

The importance of recruiting is related to the "career concept," which is taken very seriously at Armstrong. Approximately 60% of the men employed as trainees remain with the company. And, as one of Armstrong's publications notes, "the four members of the president's office as well as practically all of the other company officers entered the company following their graduation from college." Obviously Armstrong believes in promoting from within.

Summarizing the philosophy of the recruiting and

<sup>1</sup> For a fuller description of this survey method, see "'Open-End' Survey Method Reported," *Management Record*, October, 1960, p. 15.

training program, one of the executives puts it this way:

"The only thing we have which no other company can ever have is ourselves—the company personnel. Because we maintain a career organization, each hour of training is in the nature of a permanent investment that will pay its dividends over and over again through the years to come. Our men are trained to feel that they are, and will be for many years, the company. Because we feel it, our customers feel it; and the result is reflected in strong uninterrupted manufacturer-distributor-consumer relationships."

College relations also administers the Armstrong scholarship-fellowship program.

### The Record Keeper

The general section is the record keeper and is not too different today from its counterpart in 1945. It serves as a clearing house for all employee benefits. Benefit claims throughout the company go through this group, so here is another strongly centralized service at the corporate level performed for all Armstrong plants. Besides hospital-surgical insurance, these benefits include life insurance, accident and health, workmen's compensation, and retirement-income plans. The various programs are administered with the close cooperation of other departments.

Most of Armstrong's employee benefits are "self-administered," which means the general section rather than the insurance company handles the details. Also, the complete files on all salaried employees are maintained here. The section also periodically compiles data for other groups in employee relations. For instance, industrial relations uses certain data as a basis for contract negotiations; personnel research uses information compiled by the general section in its continual evaluation of Armstrong's benefits to make sure they remain among the best in industry.

### INDUSTRIAL RELATIONS AND PERSONNEL RESEARCH

The two other major sections reporting to the director of employee relations are industrial relations and personnel research. These two groups work very closely together, with personnel research supplying a lot of the information that industrial relations needs when it sits down at the bargaining table.

Armstrong has both unionized and nonunionized plants. It deals with twenty-one different unions. Although it has demonstrated its ability to live with and successfully operate unionized plants, Armstrong's experience has led it to believe that it is clearly in the best interests of the employee and the business to operate

without a union. And the company tries to make sure employees consider this point of view whenever a representation election is held. It has been ten years since a union won a certification election at Armstrong, and employees at two different plants have chosen to decertify unions in that period.

Armstrong puts great emphasis on management's responsibility in conducting day-to-day relationships with employees. Each employee at a nonunion plant receives a "pledge" booklet which outlines the company's principles governing its dealings with employees. Armstrong believes that the success with which management's performance may be measured against the "pledge" plays a significant role in employees' deciding whether or not they need a union to represent them.

For the most part Armstrong's negotiations are on an individual-plant basis. The company believes that the individual employee should have the right to join or not to join any union. Therefore it has stuck to local bargaining and opposes the union shop. In its glass operations, a different pattern prevails simply because the glass container industry has a long history of industry-wide bargaining and the union shop. When Armstrong moved into this field it could do little but accept the prevailing pattern of bargaining that exists in this industry.

Close contact is maintained between the industrial relations group at headquarters in Lancaster and the various plants located around the country. Each of the four assistant general managers in industrial relations at Lancaster is assigned to a certain number of plants. The corporate representative sits in on all labor negotiations in these plants and offers specialized assistance and advice.

This, in brief, is a picture of the employee relations department and its functions today at Armstrong. It covers most of the functions normally associated with personnel administration, with a notable exception—wage and salary administration. Neither is part of the corporate personnel function today, nor were they at the time of the 1946 report.

The salary administration unit is highly centralized at Armstrong and it reports to a different member of the president's office than does employee relations. Wage administration, including job classification and evaluation, is a function of industrial engineering. Following the pattern at the corporate level, none of the plant personnel staffs have any part in wage and salary administration.

Is this the final word on organization? Armstrong would be the first to say of course not. As one of the company's executives put it, "Organization charts, more often than the textbooks might indicate, are set up in a

certain way because of a particular situation or personality. And many times, long after that situation or personality has ceased to exist, the structure, for one reason or another, is retained." But not forever, he might have added.

### WHAT ABOUT THE FUTURE?

Armstrong, for over a hundred years now, has demonstrated its ability both to survive and grow. But the company's management is aware that it faces great challenges in its "second century of progress." A fairly immediate problem has to do with the fact that the company's supervisory and hourly work force is largely made up of long-service employees who, over the years, have developed a strong sense of loyalty to Armstrong. In the next ten years the company anticipates that a great many of these people will be retiring. Their replacements will be young people, often with rather different values, and in general with a more critical and questioning attitude. To help these new employees become effective in their jobs is likely to call for an increased effort in training—and possibly some rather different approaches—on the part of the personnel department, both at the corporate and at the plant levels.

As in other companies, Armstrong is facing a number of changes because of the increased pace of automation. Many jobs will be eliminated. New ones will require different skills and abilities. And the need for increasing the managerial and technical know-how of executives and supervisors will be acute. This poses new challenges for the personnel department in the areas of management development, supervisory training, selection techniques and long-range manpower planning to insure that the company's policy of "a high degree of employment security" is implemented.

What are the directions that Armstrong Cork Company is moving in in this period of change? One, it seems, is to continue, and possibly even to accelerate, the decentralization of authority and responsibility. This will involve a considerable strengthening of personnel administration at the plant level. The feeling is that since employee relations problems develop in the plant, it is there that they can most effectively be dealt with. If it is necessary to wait for corporate people to arrive on the scene to put out the fire it means a certain amount of delay. Also, if more personnel services are carried out by plant personnel, it obviously frees the corporate staff for more concentrated work in the increasingly important areas of planning and advising top management.

Looking at the line function at the plant level for a moment, with increased decentralization a plant manager in many instances would no longer have to clear

changes which are within the framework of company policy with headquarters before he can act. Instead of what might be called the current "precontrol," the control would operate after the fact, thus speeding up many processes and increasing over-all efficiency.

As this decentralization occurs, what about the corporate personnel department? Will its objectives change? What, if any, new work will it be doing? For instance, if Armstrong were to add two new people to the corporate staff today, where would they be assigned and what would they do? The company's answer is that one would be added to the training, education, and plant personnel administration unit and the other would be added to personnel research, "as there are many areas as yet untouched in the latter."

As for personnel objectives, no change is anticipated. Corporate personnel at Armstrong has never regarded itself as part of the "happiness boys" school of thinking, which is now getting the "treatment" in the literature.

"Our goal," says the director of employee relations at Armstrong, "has never been to keep all the employees happy at any cost. The company recognizes its obligation to operate in the balanced best interests of all groups which have a claim on it—customers, stockholders, employees, suppliers, community neighbors, and government. At the same time, we know that providing our customers with better products at lower costs comes first. In our area—employee relations—we have attempted to assist in this aim by strengthening the organization through better employment methods, training of all types, development of people, etc. We want our people to be satisfied employees but we do not indiscriminately 'give' in order to achieve this. We try to keep their best interests in mind in any action we take, but not to the detriment of the other claimant groups."

AILEEN L. KYTE

Division of Personnel Administration

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## Management Bookshelf

**Project Economy**—A textbook presenting techniques for handling problems in management engineering. Principles that are considered include the time value of money, investment, required return on investment, cost, income, profit, financing, and the weighing of intangibles. By *Edwin Scott Roscoe, Richard D. Irwin, Inc., Homewood, Illinois, 1960, 365 pp., \$10.*

**Financing the Natural Gas Industry: The Role of Life Insurance Investment Policies**—This study describes an unusual financing situation in which a relatively small number of life insurance companies have lent billions of dollars to companies that produce and transport natural gas. The book presents background information on the natural gas industry and describes the promotion and financing of two of the large companies in the field. A bibliography and numerous maps, charts, and tables are included. By *Richard W. Hooley, Columbia University Press, 2960 Broadway, New York, New York, 1961, 218 pp., \$6.50.*

**Retail Merchandise Accounting**—This volume, now in its third edition, is another in the series of specialized accounting treatises by members of the accounting firm of Lybrand, Ross Bros. & Montgomery. The book is designed to be useful to retailers, to certified public accountants who serve them, and to students of retailing. It describes accepted accounting practices for the distinctive conditions and problems of mercantile businesses. Such topics as merchandise inventory controls, physical inventory taking, operating statements, tax problems, and budgetary proce-

dures are included. Special emphasis is given in the last seven chapters to a discussion of the LIFO method of inventory costing. By *Hermon F. Bell, C.P.A. and Louis C. Moscarello, C.P.A., The Ronald Press Company, 15 East 26 Street, New York 10, New York, Third Edition, 1961, 487 pp., \$12.50.*

**Taxes and Economic Growth in Michigan. A Study Undertaken at the Request of the Committee on Michigan's Economic Future**—An analysis of the tax structure of the State of Michigan by a panel of experts. The study stresses current deficiencies and suggests reforms. *The Upjohn Institute for Economic Research, 709 South Westnedge Avenue, Kalamazoo, Michigan, 1960, 167 pp., \$4.75.*

**NOMA Glossary of Automation Terms and Data Processing Exchange Index**—The book is divided into two sections. The first is a dictionary of the new terminology that has been developed in the field of electronic data processing. More than 500 definitions are given in this section. The second part of the book lists the names and addresses of over 300 companies that have electronic data processing or integrated data processing installations. For each listed organization, the name of the individual in charge of data processing and the types of equipment installed are given. A cross reference tabulates the various types of installations and the companies that are currently using them. By *The National Office Management Association, Willow Grove, Pennsylvania, 1961, 88 pp., \$2.50 (members), \$5 (non-members).*

*The County Trust Company has set up a single unit to assemble data on critical control activities and pass it on to the bank president*

## A Control Unit for Top Management

IT COULD BE called an innovation; the company interest is new anyway. But the management control unit—also called the control unit or the management services unit—has been around on and off for some time, at least since 1946 in fact, when General Brehon Somervell introduced it as part of his general reorganization of Koppers.

What Koppers did was to organize an over-all company control unit, or, to put it a slightly different way, to organize a unit tailored to the particular control needs of the chief executive and chief operating officers. In most companies control activities are carried on as part of the work of functional staff units. Control within the personnel area—measurement of compliance with the company's personnel policies, procedures and objectives—is usually one of the responsibilities of a personnel administration unit. Controls relating to sales are usually applied by a staff sales or marketing unit, and financial controls by a finance unit or controller.

Koppers' control section on the other hand was a unit devoted entirely to control and control procedures, and operated virtually as a personal staff to General Somervell. Until it went out of existence after General Somervell's death in 1955, it pulled together control responsibilities from a number of functional staff units. At its founding it included such activities as organization planning, systems and procedures, and some financial analysis.

Management control units follow no particular pattern, however, either as to the activities they include or the ones they emphasize. One company's control unit includes a wide range of financial controls. Another's includes management compensation and manpower planning. The unit in a third company centers around office systems and methods.

### ADVANTAGES AND DUTIES

What is it that makes this kind of grouping of control activities attractive? Consider the County Trust Company of White Plains, New York. County Trust is a bank, not a manufacturing company. But many of the problems of over-all company control in this bank would probably sound familiar to a manufacturing chief ex-

ecutive. County Trust has forty-two branch offices spread over Westchester County, north of New York City. It is no longer possible for the bank's president to look out over the bank floor and assure himself that the quality of customer service is being preserved, that the tellers are working at high levels of productivity, and that money is flowing smoothly from depositor to investment. Yet control of these three areas is of critical importance to a bank president. Cutting service costs can appreciably raise profits. Variations in the quality of customer service sharply affect deposits. And, possibly most important of all, money lost in some administrative eddy in the bank is not out making money by being invested.

Conventional functional organization of controls generally divides responsibility for the three aforementioned areas among the personnel, methods, and building-maintenance departments, as well as the secretary-treasurer's division. County Trust, however, adds a unit that assembles data on these "critical" control activities in order to get an over-all picture of bank operations. The unit is called "management control." (A chart of the over-all organizational structure of the County Trust Company appears on page 12.)

In one sense the department is no more than a controller's or auditor's department that has been expanded, enhanced, and separated from accounting. The most important activity of the department, for example, is its role in budgetary control. Twice yearly the department assembles branch and departmental budgets into master profit plans for the entire bank.<sup>1</sup>

Between these two budgeting times, actual earning and expense figures are received monthly from the branches and departments for coordination and evaluation against the established budgetary standards.<sup>2</sup>

Another responsibility of the management control department is for the issuance, assembly, analysis and in-

<sup>1</sup> The position guide for the head of the management control department appears in the box on page 11.

<sup>2</sup> For fuller explanation of County Trust's control methods see: Charles F. Kammerer, Jr., "An Approach to Management Control in Branch Banking," 1957, an unpublished thesis on file at Rutgers University Library and at the Library of the American Bankers Association.

erpretation of reports. Since many of these reports are related to budgetary control, reports control responsibilities might logically be considered a controllership function. There are companies that follow this reasoning. Other companies, however, place responsibility for this activity under office services or within the range of activities reporting to a vice-president, administration.

The management control department is also consulted by the methods department on the standardization and simplification of paper work done at the bank.

Where management control departs from the usual controllership activities is in its responsibilities vis-à-vis production control. As understood by the bank, production control is the application of clerical output measurements through the setting of production standards. The actual setting of standards is done by the methods and standards department with management control playing a consultative role. Where management control really enters the picture, however, is in coordinating all the various branch and departmental reports into an

over-all bank productivity report. In this report variations in performance are noted and, if necessary, suggestions are made for correcting them.

Also, management control uses productivity reports as a tool in determining proper manpower levels for each department and branch.

Another activity outside the usual range of controllership activities concerns itself with the quality of service to depositors. County Trust uses two types of quality control: sampling and statistical reports. Sampling is used primarily in the secretarial pool and other volume departments of the bank. Statistical reports of tellers' overages and shortages are made each month. Special attention is also given to "bookkeeping errors known to customers"; that is, misposted or misfiled checks, or errors on monthly statements sent to depositors.

Management control prepares periodic audits of the character and quality of its branch management. This audit employs a kind of check list which at County Trust covers such matters as business development, attend-

### **Management Control Responsibilities**

To analyze branch and departmental budgets and assemble master profit plan biannually with the assistance of the cost analysis division.

To coordinate and evaluate actual earning and expense results with the established budgetary standard. Propose and recommend suggestions for correction of these variations.

To analyze the quarterly production analysis of all measurable work and establish manpower controls following consultation with the personnel division and given branch or department.

To coordinate production with the methods and standards department.

To compare and analyze trends in bank costs of various operations recommending appropriate service charges to cover these expenses.

To review quality control analysis and offer suggestions for improvement in areas below the desired standard.

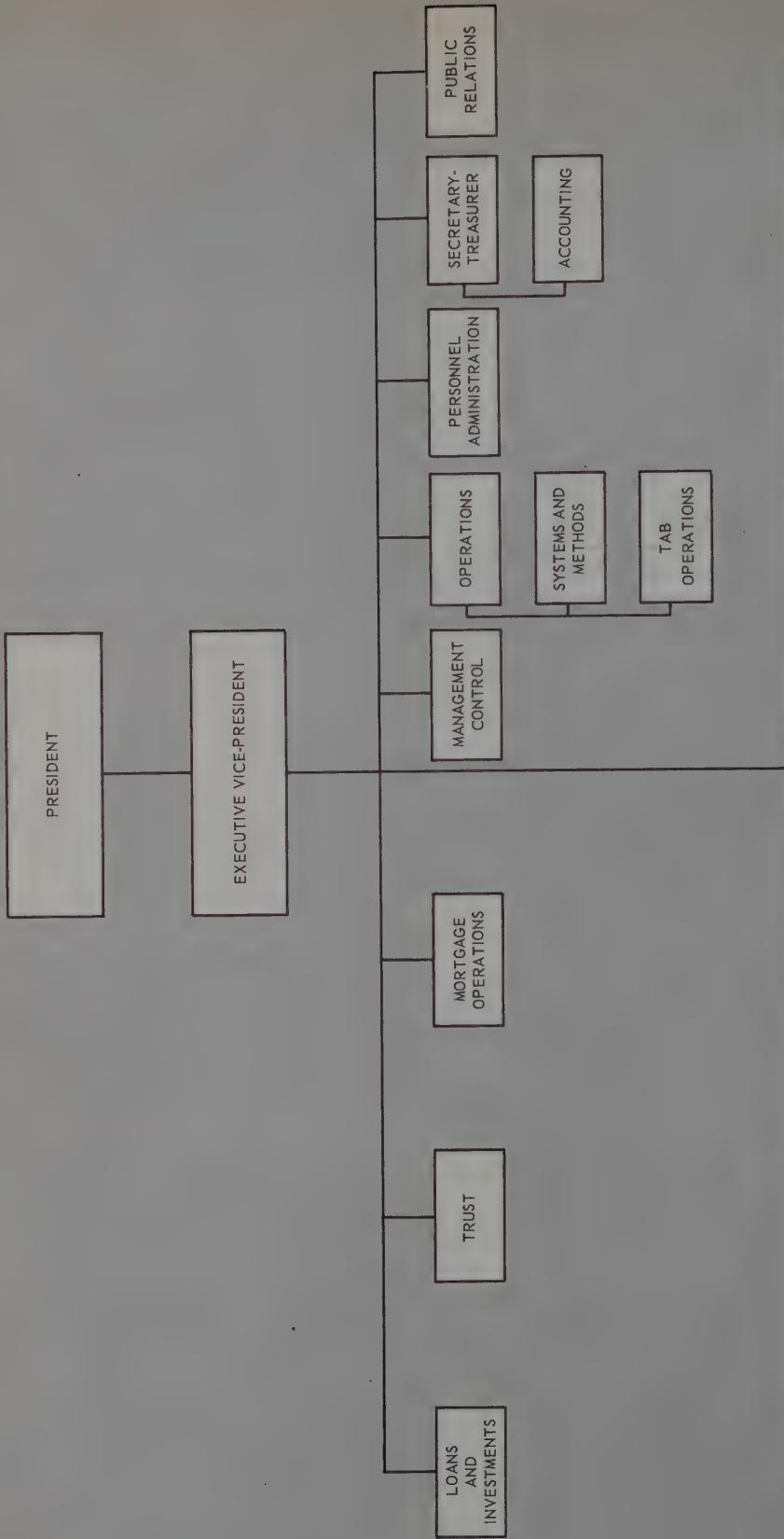
To establish and continuously review an orderly reports control system whereby each report can be carefully screened for purpose, preparation, distribution, timing and scheduling.

To conduct a management audit of each branch as needed following the suggested outline procedure.

Offer suggestions for improvements in certain areas and follow up to see that recommendations are carried out.

To assist the cost analysis department in preparation of other cost studies.

## Organization Chart of the County Trust Company



42 BRANCH BANKS GROUPED INTO SIX REGIONS

ance at staff meetings, reports control, production and quality control. Obviously, much of this information is already at management control's fingertips. It is drawn from the reports already mentioned. In addition, inspections of the general appearance of the branch are made by the management control officer personally. Data are supplied for the audit by other staff departments as well as by the manager of the branch being audited. The section on quality control, for example, is done in cooperation with the treasurer's office. And under the section entitled branch manager's suggestions, the branch manager notes any ideas he may have which would smooth work flow, increase earnings, or eliminate bottlenecks.

This more or less outlines management control's responsibilities, although a number of others might be mentioned. One responsibility that adds something of the flavor of the job is what County Trust calls its master activities tickler. The tickler is a list of virtually every activity in the bank to which a due date may be applied. It includes everything from reports to the Bureau of Internal Revenue to the date of the annual bank picnic. Under the County Trust system, machine record cards are signed and sent back to management control, informing management that individual activities are not being forgotten in the rush of everyday business.

### INTEGRATION OF CONTROLS

Essentially the management control department at County Trust is concerned with the development of data and measurement of performance; that is, with control rather than planning or policy making. The budget, for example, which is put together from data developed by management control, and which management control uses as its basic standard, is the product of the bank's budget committee. The bulk of the controls which management control applies are formulated elsewhere, although not without consultation with the management control department.

Consultation also accompanies the application of controls. County Trust does not conceive of management control as the watchdog in a system of management from the top. According to bank executives, any system of control that one man can devise another can circumvent. They would prefer to have branch managers look upon controls as a measure of how the bank is performing generally and as a specific protection for themselves. Controls, for example, provide a channel through which branch managers can communicate grievances and suggest changes in existing procedures. In short, management control is conceived of as a service to the bank as a whole rather than merely to the bank president.

Nevertheless it is to the bank president that most of the reports flow and in his name that recommendations are made. Though there is a high degree of participation and compromise, the present management control officer candidly admits that he couldn't do his job without the support of the bank president. Thus it is possible to hear, in the president's description of management control as "his right arm" or in the description of some elements of the management audit, a drumbeat reminiscent of the army's inspector general department. But the differences in objectives and managerial climate make this comparison with the military perhaps more confusing than illuminating.

Possibly a better way to look at County Trust's management control department is to view it as the personal deputy of the president whose responsibilities are to coordinate and control the profit objectives—or rather the full range of economic objectives—of the bank.

ALLEN R. JANGER  
*Division of Personnel Administration*

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**Training in Business and Industry**—There's been too much emphasis on how to carry on training, and too little sound understanding of the worth and applicability of individual training techniques, say the authors of this book. As a result, industrial training has been dominated in recent years by one fad after another. The present state of knowledge justifies "only the presentation of problems and suggested techniques for solutions."

Taking their own advice, the authors dwell on determination of training needs, utilization of data drawn from the psychology of learning, selection of appropriate techniques, and assessment of training results. By William McGehee and Paul W. Thayer, John Wiley & Sons, Inc., 440 Park Avenue South, New York 16, New York, 305 pp., \$7.50.

**Chicago and the Labor Movement**—Organized labor's development in Chicago in the 1930's is discussed in this volume. The emphasis is on the clothing, trucking and steel industries; racketeering; the AFL-CIO; and metropolitan unionism. By Barbara Warne Newell, University of Illinois Press, Urbana, Illinois, 1961, 288 pp., \$6.

**Government Regulations of Industrial Relations**—The author, a member of the British Ministry of Labour's staff, examines the Wagner Act, the Taft-Hartley amendments and other legal aspects of federal regulation of unions in the United States, and discusses them against the background of British practices. By Hywell Evans, New York State School of Industrial Relations at Cornell University, Ithaca, New York, 1961, 116 pp., \$2.50.

# Significant Labor Statistics

Item	Unit	1961							Year Ago	Percentage Change	
		Aug.	July	June	May	April	March	Feb.		Latest Month over Previous Month	Lates Month over Year Ago
<b>Consumer Price Index (BLS)</b>											
All Items.....	1947-1949=100	128.0	128.1	127.6	127.4	127.5	127.5	127.5	126.6	-0.1	+1
Food.....	1947-1949=100	121.2	122.0	120.9	120.7	121.2	121.2	121.4	120.1	-0.7	+0
Housing.....	1947-1949=100	132.3	132.4	132.4	132.2	132.3	132.5	132.4	131.5	-0.1	+0
Apparel.....	1947-1949=100	109.9	109.9	109.6	109.6	109.5	109.8	109.6	109.3	0	+0
Transportation.....	1947-1949=100	149.3	148.3	147.7	146.6	145.8	145.7	146.2	146.2	+0.7	+2
Medical Care.....	1947-1949=100	161.4	161.2	160.9	160.4	159.9	159.6	159.4	156.7	+0.1	+3
Personal Care.....	1947-1949=100	134.2	134.3	133.9	133.8	133.8	133.6	133.8	133.8	-0.1	+0
Reading and Recreation.....	1947-1949=100	124.4	124.1	123.5	123.9	124.1	123.4	122.7	121.9	+0.2	+2
Other Goods and Services.....	1947-1949=100	133.6	133.6	133.1	133.1	132.6	132.6	132.6	132.4	0	+0
<b>Employment Status (Census)</b>											
Civilian labor force.....	thousands	73,081	73,639	74,286	71,546	70,696	71,011	70,360	72,070	-0.8	+1
Employed.....	thousands	68,539	68,499	68,706	66,778	65,734	65,516	64,655	68,282	+0.1	+0
Agriculture.....	thousands	6,325	6,453	6,671	5,544	5,000	4,977	4,708	6,454	-2.0	-2
Nonagricultural industries.....	thousands	62,215	62,046	62,035	61,234	60,734	60,539	59,947	61,828	+0.3	+0
Unemployed.....	thousands	4,542	5,140	5,580	4,768	4,962	5,495	5,705	3,788	-11.6	-19
<b>Wage Earners (BLS)</b>											
Employees in nonagricultural establishments, total.....	thousands	p 53,400	r 53,119	r 53,374	52,645	52,073	51,621	51,314	53,320	+0.5	+0
Employees in nonagricultural establishments, without Alaska & Hawaii <sup>1</sup> .....	thousands	p 53,142	r 52,858	r 53,123	52,407	51,843	51,397	51,090	53,062	+0.5	+0
Manufacturing.....	thousands	p 16,194	r 15,932	r 15,973	15,726	15,536	15,497	15,473	16,386	+1.6	-1
Mining.....	thousands	p 634	r 633	r 640	630	623	622	620	672	+0.2	-5
Construction.....	thousands	p 3,158	r 3,094	r 3,034	2,799	2,617	2,414	2,264	3,130	+2.1	+0
Transportation and public utilities.....	thousands	p 3,838	r 3,840	r 3,818	3,773	3,756	3,749	3,759	3,921	-0.1	-2
Trade.....	thousands	p 11,538	r 11,543	r 11,575	11,446	11,389	11,337	11,279	11,592	A	-0
Finance.....	thousands	p 2,589	r 2,584	r 2,556	2,528	2,520	2,507	2,494	2,536	+0.2	+2
Service.....	thousands	p 6,738	r 6,763	r 6,795	6,753	6,679	6,566	6,527	6,685	-0.4	+0
Government.....	thousands	p 8,453	r 8,469	r 8,732	8,752	8,723	8,705	8,674	8,140	-0.2	+3
Production and related workers in mfg. employment											
All manufacturing.....	thousands	p 12,057	r 11,804	r 11,860	11,643	11,463	11,418	11,395	12,265	+2.1	-1
Durable.....	thousands	p 6,682	r 6,651	r 6,706	6,595	6,429	6,363	6,359	6,833	+0.5	-2
Nondurable.....	thousands	p 5,375	r 5,153	r 5,154	5,048	5,034	5,055	5,036	5,432	+4.3	-1
Average weekly hours											
All manufacturing.....	number	p 40.1	40.0	40.1	39.7	39.3	39.1	38.9	39.8	+0.3	+0
Durable.....	number	p 40.5	r 40.3	40.6	40.2	39.9	39.5	39.3	40.0	+0.5	+1
Nondurable.....	number	p 39.7	r 39.6	39.4	39.0	38.7	38.7	38.4	39.5	+0.3	+0
Average hourly earnings											
All manufacturing.....	dollars	p 2.34	2.35	2.35	2.34	2.33	2.32	2.31	2.27	-0.4	+3
Durable.....	dollars	p 2.51	2.51	2.51	2.50	2.49	2.47	2.47	2.43	0	+3
Nondurable.....	dollars	p 2.13	2.14	2.13	2.13	2.13	2.12	2.11	2.07	-0.5	+2
Average weekly earnings											
All manufacturing.....	dollars	p 93.83	94.00	94.24	92.90	91.57	90.71	89.86	90.35	-0.2	+3
Durable.....	dollars	p 101.66	r 101.15	101.91	100.50	99.35	97.57	97.07	97.20	+0.5	+4
Nondurable.....	dollars	p 84.56	r 84.74	83.92	83.07	82.43	82.04	81.02	81.77	-0.2	+3
Straight time hourly earnings (estimated)											
All manufacturing.....	dollars	p 2.27	2.29	2.28	2.28	2.28	2.27	2.26	2.21	-0.9	+2
Durable.....	dollars	p 2.43	2.43	2.43	2.43	2.43	2.41	2.42	2.36	0	+3
Nondurable.....	dollars	p 2.08	2.09	2.08	2.09	2.09	2.08	2.08	2.02	-0.5	+3
<b>Turnover Rates in Manufacturing (BLS)</b>											
Separations.....	per 100 employees	p 3.2	r 3.5	2.7	2.8	2.8	3.4	3.6	4.3	-8.6	-25
Quits.....	per 100 employees	p 1.3	0.9	1.0	0.8	0.8	0.7	0.6	1.5	+44.4	-13
Layoffs.....	per 100 employees	p 1.4	r 2.0	1.2	1.4	1.5	2.2	2.5	2.2	-30.0	-36
Accessions.....	per 100 employees	p 4.1	r 3.3	4.0	3.7	3.4	3.3	2.7	3.8	+24.2	+7

<sup>1</sup> The following eight industries also exclude Alaska and Hawaii.    p Preliminary.    r Revised.    A Less than .05%

*Higher salaries and changing ways of allocating expenses help account for a 10% rise in per-employee costs within the past five years*

## Company Medical-department Costs

THE FINANCIAL outlay by companies for medical care and services for their employees gets larger all the time. The cost per employee is up 10% over the past five years, according to Conference Board surveys of ninety-six identical companies made in 1956 and again this year.<sup>1</sup>

The ninety-six companies are now paying about \$17.5 million annually to provide medical facilities for their employees. These number 890,000, or an average of 9,275 per company. Hence, the average per-employee cost is \$19.68. The median cost per employee is \$21. In the earlier survey, average per-employee cost was \$17.71.

These costs do not include company-supported group health insurance programs. They include only expenditures for physical examinations (both preemployment and periodic), visiting nurse service and on-the-job nursing care, accident prevention programs, dental care, and medical supplies and equipment.

What accounts for the higher costs? The inflationary pressures on medical-department salaries and supplies and changes in methods of allocating cost factors are often mentioned as causes. And, of course, many respondents repeatedly point out that their medical services have been expanded and improved during the last five years.

In contrast, one company in the sample has discontinued its medical department since 1955. Instead of a part-time doctor and other medical facilities provided five years ago, the company now trains its foremen in the use of first-aid and calls in a physician only as the need arises. As a consequence the company's present costs are no longer comparable, and they have been excluded from the statistics of this report.<sup>2</sup>

### THE COST PER EMPLOYEE

The range in medical costs per employee is shown in Table 1 by size of company and in Table 2 by type of industry. As can be seen, a total of seventy com-

<sup>1</sup> The 1956 survey included 131 companies employing a total of 885,000 workers. A report of this study appears in *Management Record*, April, 1956, p. 132. Ninety-six of these 131 firms furnished information for the current study.

panies, roughly two-thirds of the sample, pay between \$10 and \$30 per employee, with half falling within the \$10 to \$20 range and a half between the \$20 and \$30 range. These companies represent most size categories and a variety of industries.

In comparison with the earlier survey, higher current per-employee costs are observed from a number of angles. First, whereas the 1960 mode is the \$10 to \$30 range, in 1955 it was the \$10 to \$20 spread. Also, the proportion of companies with per-employee costs of less than \$10 is smaller (6% in the 1960 survey) than in the earlier survey (20%). And, too, the maximum per-employee cost in the 1955 study was \$60 with just 2% of the companies (three in all) paying the maximum amount. In the current study, per-employee costs of \$60 or more are paid by about 5% of the companies.

Many of the participating firms say that a significant reduction in their work force over the five-year period has tended to raise unit costs because fixed charges have had to be spread over a smaller number of employees. But even where the work force has remained constant or has increased, per-unit costs have in many instances gone up.

Evaluating the rise in absolute as well as per-unit costs is, however, a tricky business. The use of cost figures for comparative purposes can be deceptive, whether the purpose is to compare one company's costs with another or to compare a single company's expenditures in different years. To interpret cost data reliably, it is important to know the elements that have been considered in determining them and to recognize the variables that can change their interpretation.

The ninety-six survey companies were asked to indicate the elements they use in computing medical-service

The two surveys are based on company records for the preceding years. Throughout the remainder of this article, therefore, reference will be made only to the year in which the data apply, i.e., 1955 and 1960.

<sup>2</sup> The company's total annual cost in 1955 was \$6,800, or \$10 per employee. Now, total annual cost is about \$900. It employs 500 people, is in the glass industry, and is located in the South-eastern part of the country.

expenditures. A tabulation of their replies, showing the number of companies including each factor, is shown below.

Budget Element	No. of Companies
Professional personnel salaries	95
Salaries of nonprofessional staff in medical department	73
Medical supplies and equipment	96
Special examinations for executives	55
Depreciation	36
Rent	41
Heat	42
Light	43
Stationery, phone and office maintenance	19
Transportation, including mobile examination unit, ambulance cost and operations, medical car, and medical staff travel	10
Other factors	39

The "other factors" include dues and subscriptions to professional organizations; consultants' fees; cost of safety glasses and shoes; special examinations for employees over forty-five and X-rays for older employees; expense incurred by other departments in rendering service to the medical department; pensions for

medical personnel; doctor and hospital bills for workmen's compensation cases; rental of equipment; flu shots; industrial hygiene and safety programs.

#### BUDGET ELEMENTS VARY

Budget elements vary considerably among companies. To illustrate, one cooperator (a public utility) does not charge the salaries of professional personnel to its medical costs, even though this item constitutes a major portion of total medical-department costs in all other companies. One-fourth of the respondents (twenty-three firms) do not list salaries of nonprofessional medical-department personnel as a cost factor. In some of these cases, particularly among the smaller companies, nonprofessional salaries are not included in the budget simply because only professional persons are employed. In some firms, for example, nurses perform whatever incidental clerical tasks are necessary.

As may be expected, the cost of supplies and equip-

Table 1: Per-employee Cost, by Size of Company

Annual Per-employee Cost	Number of Companies	Number of Employees <sup>1</sup>						100,000 or More
		Under 500	500-999	1,000-4,999	5,000-9,999	10,000-49,000		
Total companies.....	96	7	14	47	11	14	3	
Under \$10.....	6	—	—	2	—	—	3	1
\$10 and under \$20.....	35	2	6	19	3	4	1	
20 and under 30.....	35	—	5	19	5	5	1	
30 and under 40.....	8	3	2	2	1	—	—	
40 and under 50.....	4	1	1	1	1	—	—	
50 and under 60.....	3	—	—	3	—	—	—	
60 and under 70.....	3	1	—	—	1	1	—	
70 and under 80.....	1	—	—	1	—	—	—	
80 and under 90.....	1	—	—	—	—	1	—	

<sup>1</sup> None of the surveyed companies have between 50,000 and 100,000 employees.

Table 2: Annual Per-employee Cost, by Industry

Industry	Number of Companies	Under \$10	\$10- 19.99	\$20- 29.99	\$30- 39.99	\$40- 49.99	\$50- 59.99	\$60- 69.99	\$70- 79.99	\$80- 89.99
Total companies.....	96	6	35	35	8	4	3	3	1	1
Petroleum.....	2	—	—	1	—	—	1	—	—	—
Food and tobacco products.....	7	—	3	4	—	—	—	—	—	—
Textiles.....	2	—	2	—	—	—	—	—	—	—
Paper and allied products.....	4	—	—	2	1	1	—	—	—	—
Printing and publishing.....	4	—	—	3	1	—	—	—	—	—
Chemicals and allied products.....	9	—	3	1	2	1	1	1	—	—
Rubber.....	2	—	1	1	—	—	—	—	—	—
Primary & fabricated metals.....	10	—	2	5	1	—	1	1	—	—
Machinery-all kinds.....	16	1	7	6	—	1	—	—	1	—
Transportation equipment.....	6	—	4	1	1	—	—	—	—	—
Instruments.....	3	—	1	—	1	—	—	—	—	1
Other manufacturing industries <sup>1</sup> .....	2	—	2	—	—	—	—	—	—	—
Transportation & communications.....	4	2	1	1	—	—	—	—	—	—
Public utilities.....	10	1	4	4	1	—	—	—	—	—
Trade.....	4	2	1	1	—	—	—	—	—	—
Banking, insurance & investments.....	11	—	4	5	—	1	—	1	—	—

<sup>1</sup> Includes glass and lumber industries.

ment is mentioned as a budget item by every respondent. Slightly more than half the firms also include the cost of their special health program for executives. While not all firms have such a program, where one is in operation and executives are sent for outside examinations, the cost may noticeably increase the total medical-service expense.

Other factors that obscure and complicate cost comparisons are the following:

1. *Extent of medical service.* Cost figures in themselves give no indication of how extensive a company's program may be. While two companies may spend the same amount in operating their medical departments one department may be run more efficiently than the other and thus offer more facilities.

2. *Company size.* As previously noted, the size of company affects per-employee cost. Per-employee costs, of course, tend to be lowered as a company's size increases because the cost of operating a medical department is then spread over a larger group.

3. *Year-to-year changes.* A single year's cost figure for a company can be deceptive if any unusual changes occur, such as an expansion of medical facilities, a large purchase of supplies, or a change in accounting systems.

4. *Type of business.* The type of business may influence the cost of medical services. Hazardous industries are apt to have more extensive medical services than banks or department stores, for example.

**Even within a single company, simple cost comparisons from one year to the next may not be meaningful. This point is brought out clearly in a comment from one of the participating companies:**

"You will note that the current figure is substantially higher than it was in your last survey. This represents in part (1) about a 15% reduction in our total employment over which these costs were prorated, (2) increases in salary rates and material costs, (3) added costs in housing the medical facilities in a modern building instead of an outmoded building, (4) a more adequate method of computing the costs, by including the pro-rata expense of our corporate medical department administration, and (5) some improvements in services provided."

### THE INDIVIDUAL COMPANIES

In Table 3 the effect of dollar-value changes on medical costs since 1955 may be seen for each of the eighty-eight companies.<sup>1</sup> Without considering the influence of dollar changes, per-employee costs in 1960 (column 1) are higher than 1955 costs (column 5) for all but thirteen of the companies.<sup>2</sup> And when per-employee

costs for both years are put on a constant dollar basis, the figures are still higher for sixty-four of the eighty-eight companies. That is, eleven companies showing a higher per-employee cost in 1960 are actually paying less, in terms of value per dollar spent, than was paid in 1955.<sup>3</sup> And six of these eleven companies have higher total annual expenditures for 1960.

The large number of cost figures shown does not permit an analysis here of each company presented in the table. However, the data have been grouped by size of company so that comparisons can be made, insofar as possible, on the basis of company size. By computing the average per-employee cost in each group it can be observed that there is, as pointed out previously, a general tendency for per-employee cost to decrease as work force increases. Thus, the average (arithmetic mean) per-employee cost of the seven companies in the SM group (under 500 employees) is \$35.52. For the ML group (5,000 to under 10,000 employees) it is \$28.57. The L group (10,000 and under 50,000) has a mean of \$24.72, while for the LL group (100,000 and over) the mean is just \$14.22. The pattern in the S and M groups (from 500 to under 5,000) is not so clearly defined, but here, too, it is apparent from the data that per-employee cost has an inverse relationship to company size.

Changes affecting medical costs have taken place since 1955 in practically all the cooperating companies. An examination of a few of the cost figures in Table 3 will bear this out. Take, for example, company SM 6. This company's per-employee cost soared to \$44 from \$18.50 partly because the number of employees in 1960 was just half the number employed in 1955. Total annual cost for 1960 is also higher, indicating that the company has expanded its medical program and services.

Company S-4, with a lower unit cost in 1960 (\$17.84) than it had in 1955 (\$19.13) and also a lower total cost, allocated a different set of cost items in the two years. The cost of special examinations for executives and other factors included in the 1955 budget were omitted in the 1960 budget. The difference created by the elimination of these factors would be even more pronounced if the number of employees had remained the same, but there was a reduction of about 100 employees. This tended to raise the unit cost and counterbalance somewhat the change in budget items.

<sup>1</sup> In 1955 eight of the companies gave inadequate cost data so that no 1955 figures could be shown.

<sup>2</sup> The 13 companies are: S-2, S-4, S-7, S-9, M-14, M-23, M-35, M-41, M-43, M-46, L-4, L-6 and LL-1.

<sup>3</sup> The 11 companies are: M-2, SM-5, S-1, S-3, S-13, M-4, M-9, M-11, M-20, M-32 and L-8.

Company M-19 has undergone several changes affecting medical costs. First, the number of employees has dropped considerably—from 7,500 in 1955 to 4,000 in 1960. This partly explains the higher per-employee cost of \$21.75, as compared with \$12.50 in 1955. But two other factors are involved here. The company now has five fewer nurses (full-time) than it had in 1955. Thus, the total annual expenditure in 1960 is lowered by the aggregate annual salary of these five people, which amounts to \$20,000-\$25,000. Further complicating the picture, the company allocated additional elements in arriving at its 1960 medical cost

figures. In 1955 only medical department salaries, supplies and special examinations were included. The 1960 figures include, in addition to these, rent, heat, light and staff administrative expenses.

Company ML-5 explains its medical cost changes as follows:

"The annual cost per employee has increased from \$18.11 to \$27.72, but there have been major additions to our program of employee health. For example, we now provide periodic health examinations for employees age forty and over, and we have a program for handling cases of alcoholism."

Table 3: Cost of Com-

Company <sup>1</sup>	1960 Costs		1960 Per-employee Cost Converted to 1955 \$ <sup>2</sup>	1960 Total Annual Cost Converted to 1955 \$ <sup>2</sup>	1955 Costs	
	Per-employee	Total Annual			Per-employee	Total Annual
SM-1	\$38.00	\$8,900.00	\$33.19	\$7,772.93	\$20.00	\$6,000.00
SM-2	33.35	15,000.00	29.13	13,100.44	30.00	12,000.00
SM-3	60.00	8,000.00	52.40	6,986.90	60.00	8,000.00
SM-4	18.30	6,463.26	15.98	5,644.77	14.40	21,600.00
SM-5	38.70	14,000.00	33.80	12,227.07	36.75	11,000.00
SM-6	44.00	10,000.00	38.43	8,733.62	18.50	8,500.00
SM-7	16.30	6,031.06	14.24	5,267.30	14.09	4,508.65
S-1	23.50	18,810.00	20.52	16,427.95	21.00	16,600.00
S-2	34.57	19,532.55	30.19	17,059.00	36.30	15,974.00
S-3	20.88	21,000.00	18.24	18,340.61	18.50	15,800.00
S-4	17.84	15,700.00	15.58	13,711.79	19.13	17,000.00
S-5	18.50	14,958.00	16.16	13,063.76	10.00	8,091.00
S-6	14.50	10,100.00	12.66	8,820.96	8.50	7,310.00
S-7	18.84	16,275.00	16.45	14,213.97	20.00	20,000.00
S-8	16.19	12,145.00	14.14	10,606.12	—	—
S-9	45.00	40,000.00	39.30	34,934.50	50.00	32,000.00
S-10	24.00	23,000.00	20.96	20,087.34	15.00	15,000.00
S-11	21.00	10,500.00	18.34	9,170.31	21.00	10,000.00
S-12	23.80	21,861.00	20.79	19,092.58	20.00	13,500.00
S-13	15.60	10,100.00	13.62	8,820.96	14.00	13,000.00
S-14	30.83	15,635.00	26.93	13,655.02	18.22	41,500.00
M-1	37.50	72,000.00	32.75	62,882.10	27.00	42,000.00
M-2	28.00	35,000.00	24.45	30,567.69	23.00	33,000.00
M-3	20.00	30,000.00	17.47	26,200.87	11.00	30,000.00
M-4	18.70	28,600.00	16.33	24,978.17	18.00	25,000.00
M-5	16.22	26,000.00	14.17	22,707.42	9.30	16,000.00
M-6	20.45	24,000.00	17.86	20,960.70	15.45	16,360.00
M-7	11.69	50,500.00	10.21	44,104.80	10.00	45,360.00
M-8	18.95	68,721.00	16.55	60,018.34	16.38	83,808.00
M-9	12.35	47,300.00	10.79	41,310.04	12.00	38,571.00
M-10	25.70	106,035.00	22.45	92,606.99	—	—
M-11	10.70	19,000.00	9.34	16,593.89	10.00	17,000.00
M-12	20.00	53,700.00	17.47	46,899.56	16.00	42,000.00
M-13	25.00	30,000.00	21.83	26,200.87	18.95	29,000.00
M-14	22.50	33,780.00	19.65	29,502.18	24.00	36,500.00
M-15	17.08	21,349.00	14.92	18,645.41	19.20	16,326.00
M-16	13.90	25,844.00	12.14	22,571.18	9.10	16,299.00
M-17	25.00	35,000.00	21.83	30,567.69	17.00	22,000.00
M-18	17.00	35,000.00	14.85	30,567.69	—	15,000.00
M-19	21.75	87,015.00	19.00	75,995.63	12.50	100,000.00
M-20	55.00	155,500.00	48.03	135,807.86	50.00	150,000.00
M-21	11.38	44,400.00	9.94	38,777.29	7.10	21,300.00
M-22	75.88	30,000.00	66.27	26,200.00	—	—
M-23	18.40	26,276.00	16.07	22,948.47	18.70	51,307.00
M-24	13.00	25,000.00	11.35	21,834.06	8.75	12,000.00
M-25	25.81	51,795.00	22.54	45,235.81	13.88	34,520.00
M-26	25.00	75,000.00	21.83	65,502.18	8.00	20,000.00
M-27	21.50	41,770.00	18.78	36,480.35	6.00	10,000.00

<sup>1</sup> Symbols: SM—from 1 to 499 employees; S—from 500 to 999 employees; M—from 1,000 to 4,999 employees; ML—from 5,000 to 9,999 employees; L—from 10,000 to 49,999 employees; LL—100,000 or more employees.

The company accounts for the increase in its total annual expenditures (from \$122,000 to \$197,885) as follows:

"This increase is caused not only by the addition to the program mentioned above, but also because of a change in the accounting system. Such items as depreciation of furniture and equipment, benefits of employees, and other miscellaneous expenses were included in the 1960 costs."

Company L-11 with a per unit cost of \$4—the lowest of the companies in this group, as well as one of the lowest in the entire survey—allocates medical costs to

just two items, medical department salaries and medical supplies and equipment. All other companies of comparable size include additional factors, such as consultation fees, special examinations for executives, and rent. The increase in total annual expenditure for company L-11 includes the cost of an enlarged medical staff (three additional full-time nurses) and the cost of serving 4,500 additional employees.

### SALARIES OF MEDICAL PERSONNEL

One major factor accounting for the rise that we have noted in the eighty-eight companies' expenditures

### Medical Services, 1955 and 1960

Company <sup>1</sup>	1960 Costs		1960 Per-employee Cost Converted to 1955 \$ <sup>2</sup>	1960 Total Annual Cost Converted to 1955 \$ <sup>2</sup>	1955 Costs	
	Per-employee	Total Annual			Per-employee	Total Annual
M-28	\$20.00	\$47,000.00	\$17.47	\$41,048.03	\$13.00	\$26,000.00
M-29	26.10	39,250.00	22.79	34,279.48	19.20	35,000.00
M-30	28.80	60,460.00	25.15	52,803.49	8.18	37,049.00
M-31	17.29	43,226.00	15.10	37,751.97	11.03	24,000.00
M-32	22.00	44,000.00	19.21	38,427.95	21.00	32,000.00
M-33	39.73	181,167.00	34.70	158,224.45	30.14	135,636.00
M-34	24.10	75,200.00	21.05	65,676.86	15.18	52,185.00
M-35	12.00	39,469.00	10.48	34,470.74	21.00	—
M-36	58.00	66,000.00	50.66	37,641.92	50.00	62,600.00
M-37	19.10	63,786.00	16.68	55,708.30	9.31	50,000.00
M-38	24.08	111,000.00	21.03	96,943.23	15.70	100,000.00
M-39	44.00	83,873.00	38.43	73,251.53	30.00	60,000.00
M-40	14.30	60,000.00	12.49	52,401.75	8.70	37,450.00
M-41	13.01	25,165.00	11.36	21,978.17	14.16	28,535.00
M-42	7.00	10,000.00	6.11	8,733.62	7.00	11,460.00
M-43	11.15	20,800.00	9.74	18,165.94	11.25	11,900.00
M-44	25.00	104,699.00	21.83	91,440.17	—	—
M-45	2.13	3,850.00	1.86	3,362.45	—	—
M-46	10.80	26,327.00	9.43	22,993.01	11.00	50,000.00
M-47	53.82	229,902.00	47.00	200,787.77	44.00	200,000.00
ML-1	26.00	160,000.00	22.71	139,737.99	15.70	78,861.27
ML-2	23.65	170,743.00	20.66	149,120.52	16.64	101,504.40
ML-3	32.86	241,000.00	28.70	210,480.35	24.23	158,000.00
ML-4	68.50	492,000.00	59.83	429,694.32	40.69	224,000.00
ML-5	27.72	197,885.00	24.21	172,825.33	18.11	122,000.00
ML-6	11.50	55,000.00	10.04	48,034.93	9.50	52,000.00
ML-7	46.33	239,272.00	40.46	208,971.18	36.23	91,689.00
ML-8	24.00	220,000.00	20.96	192,139.74	15.00	126,400.00
ML-9	26.36	158,162.00	23.02	138,132.75	17.00	80,756.00
ML-10	16.25	100,000.00	14.19	87,336.24	6.00	40,000.00
ML-11	11.10	96,940.00	9.69	84,663.76	6.83	81,827.00
L-1	18.65	236,000.00	16.29	206,113.54	15.00	225,000.00
L-2	20.19	215,000.00	17.63	187,772.93	16.28	147,000.00
L-3	84.16	2,560,000.00	73.50	2,235,807.86	39.95	1,400,000.00
L-4	14.00	172,000.00	12.23	150,218.34	17.00	140,000.00
L-5	8.65	207,000.00	7.55	180,786.03	6.67	173,000.00
L-6	20.10	407,486.00	17.55	355,882.97	24.60	435,000.00
L-7	26.85	1,308,109.00	23.45	1,142,453.28	19.96	1,105,000.00
L-8	64.00	1,200,000.00	55.90	1,048,034.93	60.00	1,038,000.00
L-9	14.47	289,457.00	12.64	252,800.87	7.00	150,000.00
L-10	9.00	319,000.00	7.86	278,602.62	6.50	250,000.00
L-11	4.00	42,000.00	3.49	36,681.22	—	28,300.00
L-12	21.80	224,700.00	19.04	196,244.54	16.72	188,600.00
L-13	20.63	484,815.00	18.02	423,419.21	10.00	250,000.00
L-14	19.68	264,114.00	17.19	230,667.25	15.00	200,000.00
LL-1	10.99	1,335,517.00	9.60	1,166,390.39	11.75	1,076,091.00
LL-2	9.91	243,725.00	8.66	212,860.26	8.61	178,817.00
LL-3	21.76	2,924,258.00	19.00	2,553,937.12	—	—

<sup>2</sup> In converting to 1955 dollars the index for "medical care less hospital rates and group hospitalization" was used. Source: U.S. Department of Labor, BLS Bulletin No. 1256, "Consumer Prices in the United States, 1953-58, Prices and Trends," and "Price Indexes for Selected Items and Groups," December, 1960 to June, 1961.

is the growth in professional salaries. For instance, some nursing positions, which in 1955 were slotted at \$5,000-\$5,999, appear today in the \$6,000-\$9,999 range. Similarly, many positions of doctors and medical directors that appear in one salary bracket in 1955 show up in a higher bracket in 1960.

**Full-time doctors**—Forty-seven of the companies furnished salary data for their full-time doctors. As Table 4 shows, these companies have 116 full-time doctors whose salaries, for all practical purposes, range from \$10,000 to under \$25,000. Just two of the 116 receive less than \$10,000. More than half earn between \$15,000 and \$20,000.

The survey indicates that the vast majority of companies employing full-time doctors have at least 1,000 employees, although a few respondents with between 500 and 1,000 employees also employ full-time doctors.

The highest salaries, of course, are paid to medical directors. These are shown separately in Table 5. As may be seen from the table, the survey includes a total of sixty medical-director salaries paid by forty-nine companies. While salaries range from under \$10,000 to \$30,000 and more, over two-thirds fall between \$15,000 and \$30,000. One part-time director

is included among the five who are paid under \$10,000 and also among the eight in the \$10,000-\$15,000 range.

**Part-time doctors**—Some firms with full-time doctors also pay for the services of part-time doctors. And, of course, many companies have only part-time doctors. Fees paid to part-time doctors often vary in method of payment. A fee may be paid on an hourly basis, a per-visit basis, by contract or retainer, or the doctor may be paid a retainer plus an hourly rate. One cooperator explained that its part-time doctors are paid retainer fees plus a per-visit rate. Another company pays a monthly rate based on the normal hours worked.

Only fourteen firms report paying hourly fees to part-time doctors. The range is from \$8 to \$20 an hour, with \$10 being the most frequently paid (six companies). The one company paying \$20 explains that the rate is \$20 for the first hour, \$35 for two hours, \$45 for three hours, etc. Part-time doctors at this company usually serve two hours a day, three days a week; thus their normal weekly pay for six hours would be \$105.

Salary contract or retainer fee is the most frequently quoted method of paying part-time doctors, according to survey replies. These salaries are shown in Table 6.

Table 4: Salaries of 116 Company Doctors, by Size of Company

Salary Range	Number of Doctors	Under 500	Number of Employees <sup>1</sup>						Total Number of Companies
			500-999	1,000-4,999	5,000-9,999	10,000-49,999	100,000 and Over		
<b>Totals</b> .....	116	—	4	15	25	49	23	47	
Under \$6,000.....	1	—	—	1	—	—	—	—	1
\$ 6,000 and under \$10,000.....	1	—	—	1	—	—	—	—	1
10,000 and under 15,000.....	42	—	2	2	9	9	20	18	
15,000 and under 20,000.....	62	—	2	8	15	34	3	20	
20,000 and under 25,000.....	10	—	—	3	1	6	—	7	

<sup>1</sup> No data were received for companies employing between 50,000 and 100,000 employees.

Table 5: Salaries of Sixty Medical Directors, by Size of Company

Salary Range	Number of Medical Dirs.	Under 500	Number of Employees <sup>1</sup>						Total Number of Companies
			500-999	1,000-4,999	5,000-9,999	10,000-49,999	100,000 and Over		
<b>Totals</b> .....	60	—	2	17	11	16	14	49	
Under \$10,000.....	5	—	—	52	—	—	—	5	
\$10,000 and under \$15,000.....	8	—	1	6 <sup>2</sup>	—	—	—	8	
15,000 and under 20,000.....	18	—	—	6	3	1	8	12	
20,000 and under 25,000.....	13	—	—	—	6	4	3	11	
25,000 and under 30,000.....	12	—	1	—	2	7	2	10	
30,000 and over.....	4	—	—	—	—	4	—	3	

<sup>1</sup> Survey data includes no companies employing between 50,000 and 100,000 employees.

<sup>2</sup> Includes one part-time medical director.

Table 6: Salaries of 227 Company Part-time Doctors, by Size of Company

Salary Range	Number Part Time Doctors	Number of Employees <sup>1</sup>						Total Number of Companies
		Under 500	500- 999	1,000- 4,999	5,000- 9,999	10,000- 49,999	100,000 and Over	
Totals.....	227	3	9	26	21	85	83	82
Under \$2,000.....	10	1	2	1	—	5	1	8
\$ 2,000-\$ 2,999.....	18	1	2	2	12	11	1	10
3,000- 3,999.....	6	1	1	1	1	1	1	6
4,000- 4,999.....	16	—	2	1	—	3	10	6
5,000- 5,999.....	35	—	—	6	8	8	13	13
6,000- 9,999.....	120	—	1	8	9	47	55	25
10,000- 14,999.....	15	—	1	5	1	6	2	11
15,000 and over.....	7	—	—	2	1	4	—	3

<sup>1</sup> Survey data does not include any companies employing between 50,000 and 100,000 employees.

<sup>2</sup> Part time involves about six hours per month.

Table 7: Salaries of 770 Company Nurses, by Size of Company

Salary Range	Number of Nurses <sup>2</sup>	Number of Employees <sup>1</sup>						Total Number of Companies
		Under 500	500-999	1,000-4,999	5,000-9,999	10,000-49,999	100,000 and Over	
Totals.....	(70) 770	7	(4) 20	(30) 158	(9) 102	(25) 193	(2) 290	89
\$3,000-\$3,999.....	10	—	2	8	—	—	—	5
4,000- 4,999.....	(4) 231	4	(1) 6	(3) 57	46	38	80	27
5,000- 5,999.....	(20) 405	3	(1) 9	(12) 65	(1) 32	(5) 115	(1) 181	43
6,000- 9,999.....	(46) 124	—	(2) 3	(15) 28	(8) 24	(20) 40	(1) 29	14

<sup>1</sup> Survey data includes no companies employing between 50,000 and 100,000 employees.

<sup>2</sup> The figures in parenthesis indicate the number of chief nurses included.

*Nurses' salaries* — The salaries of 770 nurses employed by eighty-nine companies are grouped by size of company as well as salary range in Table 7. As can be seen, more than half the nurses receive between \$5,000 and \$6,000, and roughly one out of six receive between \$6,000 and \$10,000. A large proportion of those in the latter group are chief nurses. Some chief nurses may also be found in other salary ranges.

*Other medical department salaries* — Medical secretary, laboratory technician, and clerk are the three most common nonprofessional positions for which salaries are indicated. While the range for medical secretary is from \$3,000 to \$6,000, three out of five companies having this job indicate a salary range of \$5,000-\$6,000.

Most medical and laboratory technicians receive between \$4,000 and \$6,000, although a few receive salaries within the \$6,000 to \$10,000 bracket.

The salary picture as regards clerical personnel is less than clear, apparently because of the wide variety of clerical duties required by different medical departments. About a third of the clerical positions are in the \$3,000-\$4,000 range, a third in the \$4,000-\$5,000 group, and about a fifth between \$5,000 and \$6,000.

Other clerical positions are classified as, or may be assumed to be, part-time and show a range of \$1,000 to \$3,000.

Several companies employ radiologists or X-ray technicians at salaries ranging from \$3,000 to \$6,000 for junior positions and from \$6,000 to \$10,000 for senior positions. Physiotherapists, occupational hygiene technicians, pharmacists, and sanitary engineers are all shown in the \$6,000 to \$10,000 range. A part-time dentist employed at one company also receives between \$6,000 and \$10,000. Full-time dentists are paid between \$10,000 and \$15,000.

Among the more unusual medical-department jobs are that of business manager, employed by one company at \$10,000-\$15,000, and administrative assistant, employed by another at \$6,000-\$10,000.

#### AVERAGE VISITS PER EMPLOYEE

Companies were also asked to give the annual average number of visits to the medical department per worker. Conceivably, medical department costs may be affected greatly by the incidence of these visits.

A tabulation of the visits shows a wide variation among the companies, with no consistent picture for

the smaller firms (those with fewer than 10,000 employees). Among the companies employing over 10,000 the range is small—averaging four to eight visits annually per worker, with the smaller number of visits applying to the largest companies.

Visits in companies employing under 10,000 employees range from two to twenty-two, although only one firm (a meat-packing firm with between 5,000

and 10,000 workers) reports as many as twenty-four average annual visits per worker. The most common reported number of average annual visits in companies employing fewer than 10,000 employees ranges between eight and ten, but several companies of the same size also report between two and six visits.

N. BEATRICE WORTHY  
*Division of Personnel Administration*

## Management Bookshelf

**The Merger Issue in the United States: An Aspect of Antitrust Enforcement; Selective Actions vs. General Controls—** Examining recently proposed legislation on premerger notification, this pamphlet considers the role of mergers in the economy, their number, their relation to business birth and mortality rates, the size of firms, entry and exit rates, and the implications of these data for antitrust enforcement policy. *Chamber of Commerce of the United States, Washington, D.C., 38 pp., \$1.*

**Accounting and Tax Aspects of Patents and Research—** A handbook designed to help executives, accountants, inventors, and others concerned with the accounting and tax problems of research and patents. The book is divided into two main sections. The first section deals with such accounting problems as amortization methods, recording of research and development costs, litigation expenses, and income from patents. The second section explains the tax aspects of patent income and sales. A bibliography, table of cases and references to pertinent laws are included. *By J. A. McFadden, Jr., and C. D. Tuska, D. Van Nostrand Company, Inc., 120 Alexander Street, Princeton, New Jersey, 1960, 311 pp., \$7.50.*

**Men At Work—** This book integrates cases, analysis, and theories of human relations in industry. Drawing from personal experiences, as well as from studies in the field, Professor Whyte of Cornell University examines the social, economic, technological, and physical aspects of the work environment, dividing attention about equally between the individual, the group, and the organization. *By William Foote Whyte, The Dorsey Press, Inc. and Richard D. Irwin, Inc., Homewood, Illinois, 1961, 593 pp., \$10.60.*

**Studies in Personnel and Industrial Psychology—** A wide range of reading is brought together in this compilation. Although prepared primarily for the college student, the book could be used by executives who wish to learn what's going on currently in the fields of personnel and industrial psychology. The editor, an industrial psychologist on the faculty of Yale University, selected sixty-six articles, grouped them under nine headings (selection, training, motivation, leadership, and communication, etc.), and

wrote a page or two to introduce the reader to each section and to indicate the relevance of the articles selected. *Edit by Edwin A. Fleishman, The Dorsey Press, Homewood, Illinois, 1961, 633 pp., \$9.35.*

**Principles of Marketing: The Management View—** A beginning marketing text designed primarily for the nonmarketing major, with emphasis on the marketing problems of the individual firm and its executives rather than on the marketing system as a whole. *By Richard H. Buskin Holt, Rinehart and Winston, Inc., 383 Madison Avenue, New York, 1961, 647 pp., \$7.75.*

**Regulation and Competition in Air Transportation—** This book examines the government's role in developing and regulating the air transportation industry and explores competitive aspects and basic problems pointing out the special characteristics that differentiate the air-lines industry from other federally regulated forms of transportation and public utilities. *By Samuel B. Richmond, Columbia University Press, New York, 1961, 309 pp., \$7.50.*

**The St. Lawrence Seaway—** This is the first volume of a two-volume study analyzing the impact of the improved Seaway on industry in Metropolitan Chicago. *By Joseph A. Russell, Jerome D. Fellman, and Howard G. Raepke, State of Illinois and Chicago Association of Commerce and Industry, Chicago, Illinois, 1959, volume I, 97 pp., \$5.*

**The St. Lawrence Seaway—** Volume two of this research report contains a broad survey of the economic geography of Chicago as supporting documentation for the conclusions drawn in Volume I with respect to the future growth of that city. *By Joseph A. Russell, Jerome D. Fellman, and Howard G. Raepke, State of Illinois and Chicago Association of Commerce and Industry, Chicago, Illinois, 1960, volume II, 71 pp., \$5.*

**Ownership, Control and Success of Large Companies—** A study of facts and trends in the control and dividend policies, and consequent risks and advantages to investors of 1,700 British companies responsible for 40% of the nation's economic activity. *By P. Sargent Florence, Sweet & Maxwell, Ltd., London, 1961, 279 pp., \$12.50.*

*At GE, managers are appraised on performance not personality. Here is how the program is carried out in one company department*

## Rating Managers in Terms of Job Duties

THE MOST commonly used merit-rating plans bear surprisingly little relation to matters of job performance. They are related more closely to characteristics of the individual than to accomplishments on the job. Thus, a worker is more likely to be rated in initiative, cooperativeness, dependability, adaptability, attitude, judgment, intelligence, resourcefulness, neatness, and enthusiasm than he is on how well he fulfills specific job responsibilities.

As students of the appraisal process have pointed out, difficulties are apt to arise when supervisors are asked to rate the abstract personality characteristics of their workers. Consider the word *initiative*. Initiative for what? How should we define it? Just what does initiative mean in terms of getting a job done? Is it important and desirable in all jobs? Or are there jobs where a display of initiative might make trouble or cause an accident? And so on. It is impossible, or very nearly so, to get everyone to agree on the meaning of such a broad, abstract term as *initiative*. Even if the word is defined on a rating form, there is no assurance that the raters will read the definition or that, if they do, the words will evoke the same image in the minds of all the raters. As a matter of fact, it is known that very different images will form in the minds of the supervisors.

Many supervisors resist rating workers in terms of personal characteristics—and resist even more the request that they discuss such ratings with their workers. They know it's largely a waste of breath to tell a mature individual: "Now I want you to demonstrate more initiative in your work during the coming year." But it does make sense to them to fill out a rating sheet that consists of specific, definite *job performance* items.

Management's thinking in this area may be summarized as follows: The important thing in business is getting a job done accurately and on time. We know workers with quite different personalities who can do this. Of course, it's nice to be surrounded by workers with pleasant, even personalities, but when all is said and done, a man's personality is his own affair and is relevant in business only when it affects his or others' job performance. The payoff is on performance, and that's what we look for in any individual.

It was reasoning of this sort that twelve years ago led the General Electric Company to develop a job-centered rating plan. Under its decentralized organizational setup, the various plants may elect to use the company plan or not. And, of course, a plant is free to adopt the basic approach suggested by the company, while changing and modifying it to suit the local situation.

This is what occurred at General Electric's Small Aircraft Engine Department (SAED) in Lynn, Massachusetts. The appraisal plan for the 1,200 exempt personnel at this plant is the subject of this article.<sup>1</sup>

### THE POSITION GUIDE

The position guide occupies a central place in SAED's appraisal work. There is a written guide for each SAED manager and exempt employee. In fact, policy provides that no exempt appointment is made at the plant until a guide has been written, approved, and evaluated for the position.

In a manual distributed to all supervisors, the position guide is described as follows:

"The guide describes the principal responsibilities of a position and indicates through evidences of results how these responsibilities will be measured when a performance appraisal is made.

The guide's major purposes are to:

1. Describe the major responsibilities of the position.
2. Set down the organization relationships of any component in written form and aid in preventing overlap or duplication of work effort while assuring that all necessary responsibilities are assigned.
3. Aid in establishing a common understanding between employee and supervisor as to what is expected and required on the job.
4. Provide a major tool to salary administration for position evaluation.
5. Serve as the basis for performance appraisal."

The first page of the position guide shows the incumbent's organizational and reporting relationships.

<sup>1</sup> Merit-rating plans usually refer to nonsupervisory employees and appraisal programs to exempt personnel, but the terms are used interchangeably here.

## Exhibit I: Position Guide

TITLE: Manager - Union Rela

### PRINCIPAL RESPONSIBILITIES

1. Plan, organize and measure the work by formulating requirements, goals and plans, determining the organization structure, establishing procedures and by measuring and controlling the results.
2. Select, develop and compensate personnel.
3. Develop and maintain communications and relationships and create an atmosphere of acceptance for department (or section operation) policies and objectives.
4. Negotiate with representatives of the various bargaining units.
5. Integrate the work of the subsection with that of the area union relations' organization and other departments in the area.

### EVIDENCE OF RESULTS

- a. Quality, suitability and flexibility of planning
- b. Actual vs. budget
- c. Contribution to profit
- d. Quality and timeliness of decisions
- e. Toughness in establishing and pursuing tough goals
- f. Elimination of duplicative and unnecessary work
- a. Timeliness and quality of position guides, appraisals and salary action
- b. Action on good and poor performance
- c. Teamwork
- d. Operation performance vs. individual rating
- a. Personal contacts
- b. Timely reporting on pertinent (good or bad) matters
- c. Mutual confidence and respect maintained
- d. Contribution to department objectives
- a. Skill in analyzing union problems for their reason, significance and impact on the business.
- b. Success in negotiating with negotiating committees and, at the same time, achieve the subsection's established goals.
- a. The quality and timeliness of his recommendations with respect to union relations' policies and practices.
- b. Acceptance by the area and company union relations organization as an authority in the function.
- c. Policy to foresee and identify needs and problems.

Then there is a statement of his over-all responsibilities. As an example, here is the statement of responsibilities for one manager:

Position Title: Manager—Union Relations & Employee Performance Standards  
*Responsibility Statement*

"Determine the department's general course of action in union relations and represent the department in negotiations with the local bargaining units.

"Promote an understanding of union contracts, policies and procedures dealing with union relations, and provide required interpretations and advice to department management.

"Provide systems and programs for employee performance standards which will specifically identify those factors which affect variations in employee input and output, and develop programs designed to assist management in obtaining the optimum utilization of manpower."

The manager is not rated against this general statement, but rather against his specific responsibilities. This manager has eleven such responsibilities, called principal responsibilities. They are shown in Exhibit I. Opposite each principal responsibility are two or more "evidences of results."

"Evidences of results," of course, spell out the manager's responsibilities in the different areas for which he is accountable. Also, they serve to remind the manager's supervisor at rating time of specific things to consider in making the ratings. Unfortunately, as one manager points out, these are only *evidences of results* not *standards*. This manager is trying to develop standards<sup>1</sup> he can apply to the work of those in his unit, but

<sup>1</sup> Standards for some managerial positions can be set. For example, a standard of "x" number of lost-time accidents per 1,000,000 man hours worked could be set for a company safety director.

6. Develop and integrate approaches, techniques, and methods such as the improvement of employee or organizational components performance.
  - a. Innovation and originality.
  - b. Acceptance.
  - c. Consideration of union agreements.
  - d. Realization of performance targets.
  - e. Cost reduction.
  
7. Develop and provide to management measurement criteria programs to be used to improve employee or organizational components performance.
  - a. Causes defined.
  - b. Recognition of needs and successful implementation of programs.
  - c. Impact on operating management.
  - d. Cost reduction realized.
  
8. Communicate with department management on timely and pertinent information with respect to the function.
  - a. Judgment applied in determining those things which should be communicated.
  - b. The timeliness and accuracy of these communications.
  
9. Develop, promote and negotiate improvements in union relationships towards the end of eliminating practices that will be restrictive to the successful operation of the business.
  - a. Skill in identifying and evaluating problems and successful implementation of programs.
  - b. Judgment in determining and timing corrective action.
  - c. Acceptance of recommended programs.
  
10. Develop and provide training programs: in employee performance standards and measurements, and with respect to responsibilities, rights and limitations in union relations.
  - a. Recognition of needs.
  - b. Practical application.
  - c. Quality of training provided.
  
11. Provide a central source of information, advice and guidance, with respect to available measurements and performance techniques, methods and trends within the department, company and throughout industry.
  - a. Completeness.
  - b. Initiative in generating needed information to operating management.
  - c. Exploitation of resources in this field.

is finding it difficult to establish objective standards for operations at the managerial level.

The first three principal responsibilities are identical in the position guides of all SAED managers. The remaining responsibilities (numbers 4 to 11 in this case) apply only to the position, "Manager—Union Relations & Employee Performance Standards." The number of principal responsibilities found in a position guide depends, of course, on the position being described. Some of the position guides contain more than eleven principal responsibilities but the majority contain fewer.

#### RATING PROCEDURES

Written instructions to raters include this general statement:

"Each manager and supervisor is responsible for setting

high performance standards and the communication of such performance expectations in a precise and understandable fashion to all members of management.

"In setting performance standards and appraising performance, attention must be directed to *results not reasons*. The goals of an individual and component represent those definite measurable commitments against which performance results can be measured. In developing performance standards from predetermined goals, the following factors should be considered.

"1. The timeliness and significance of the goal in satisfying a current and critical need of the business.

"2. The meeting of a goal on schedule.

"3. The quality of the effort expended in reaching the goal.

"4. The type of relationships established or maintained in achieving the goal, within the component, throughout the department, division or company or outside the company.

**Exhibit 2****SMALL AIRCRAFT ENGINE DEPARTMENT  
GENERAL ELECTRIC  
PERFORMANCE APPRAISAL**

Name of Person Appraised \_\_\_\_\_

(Check One)  
Interim Appraisal \_\_\_\_\_  
Regular Appraisal \_\_\_\_\_

Position Title \_\_\_\_\_

Position Code \_\_\_\_\_

Section \_\_\_\_\_

Date Employee Assumed Position \_\_\_\_\_

Period Covered by Appraisal \_\_\_\_\_

APPRAISAL MADE BY \_\_\_\_\_

Signature of Appraiser

DATE \_\_\_\_\_

REVIEWED BY \_\_\_\_\_

Signature of Appraiser's Manager

DATE \_\_\_\_\_

APPRAISAL DISCUSSED \_\_\_\_\_

DATE \_\_\_\_\_

**PERFORMANCE CRITERIA DEFINITIONS**

Overall Summary Appraisal — Circle one letter below following the completion of the Appraisal.

**C - Fails to Meet Minimum Performance Requirements**

Failure to meet goals and commitments without demonstrated action to prevent continuation of conditions causing these failures.

**D - Significantly Below Required Performance**

Does not meet goals and commitments in several critical areas; demonstrated corrective action is being taken to prevent continuation of conditions causing failures.

**E - Somewhat Below Required Performance**

Would meet goals and commitments, except for significant failure in a critical area not offset by superior performance in other critical areas.

**F - Meets Required Performance**

Meets goals and commitments without significant failure in any critical areas.

**G - Somewhat Above Required Performance**

Exceeds goals and commitments in several critical areas.

**H - Significantly Above Required Performance**

Exceeds goals and commitments in all critical areas.

**Performance Criteria (See definition on front of Appraisal Form)**

C	D	E	F	G	H	Specific Examples of Observed Performance to Substantiate each "Evidence of Results"
						3. (Continued)
	x		c.	Has the confidence of manufacturing particularly. Has done well in most other sections.		
	x		d.	See 1-c above. In my opinion no one technique has contributed more to cost awareness than work sampling. Likewise, we have been able to get measured day work established as a way of life in S.A.E. and this is no small accomplishment in the River Works where piecework has been championed for years by both labor and management.		
	(X)					
	x		4. a.	Within his experience he does an excellent job, but we have big problems ahead which we must tackle. We must reach the point where the people believe us and not the union. This means looking ahead to determine where we want to go; what we want our relations with the union to be; choosing the issues ourselves; discovering how we can win the main principles with a minimum of employee disagreement; deciding what is the real payoff union relations-wise as far as contribution to operating results is concerned. S.A.E. is the largest and fastest growing department in Lynn and we must not be held back by precedents and costly practices. These are the challenges that lie ahead for Bill and his people. It will take some real creative thinking and action to accomplish them in time.		
	x		b.	For the short time he has been negotiating with the union, he does exceptionally well. As he gains experience he will do even better. The union respects his ability to analyze a problem and get to the roots of the trouble.		
	(X)					
x			5. a.	Recognizes implications of situations promptly. Recommendations are sound within limitation of his experiences.		
x			b.	Bob Dale, whom I checked with on the evidence, says that Bill contributes appreciably to area efforts. He supports area stands; balances department viewpoints against area; communicates quickly and thoroughly; checks before he acts in a timely manner.		
x			c.	Is constantly analyzing what is going on so as to anticipate possible future trouble spots.		
(X)						
x			6. a.	Work sampling and "Do-it-yourself" sampling very effective. Also did machine loading studies and analyses of quality faults. We still haven't discovered how to effectively measure efficiency in a timely, economical way that is accepted by all concerned who have to be pleased. Bill must search for the unknown and find a way to measure and to reward and punish in accordance with results.-- Must recognize that work sampling and other such techniques are not an end unto themselves but rather a means to an end. (continued)		
C	D	E	F	G	H	

**Exhibit 3****JOB ORIENTED  
PERSONAL GOALS**

Name \_\_\_\_\_

Date \_\_\_\_\_

Position \_\_\_\_\_

Goal

Date to be  
Accomplished

Employee \_\_\_\_\_ Mgr./Supvr. \_\_\_\_\_

Copy to: Employee  
Pers. Rels. Mgr.  
Mgr./Supvr.

"In considering the timeliness of a goal it is recognized that major emphasis in a given area changes with the evolution of the product. Certain areas of assigned functional or managerial responsibility are of more critical importance to the attainment of basic business requirements at one period than another. It is the responsibility of the immediate supervisor or manager to determine the order of importance of each aspect of a given assignment."

The appraisals are made on a four-page form. Pages 2, 3, and 4 of the form are identical. Exhibit 2 shows pages 1 and 3 of form. Page 1 is filled out in part only, as there is no need to show the names of individuals here. Page 3 is taken from an actual appraisal and is unchanged except that personal identities have been protected. It will be noted that this is a part of the rating of the manager of union relations and employee performance standards whose principal responsibilities are listed in Exhibit 1.

The ratings are made on a six-point scale. The six levels, beginning with "fails to meet minimum perform-

ance requirements" and rising to "significantly above required performance," are described on the first page of the form.

After the specific "evidence of results" from the principal responsibilities have been appraised, the rater is asked to enter a total appraisal (an x in a parenthesis) in the appropriate column. This procedure is repeated for each principal responsibility—eleven in this instance. An over-all appraisal is made at the end.

Each manager's appraisal is discussed with him. In addition, his supervisor offers him some suggestions designed to improve his future performance. Prior to the discussion of the appraisal, the supervisor prepares a list of five or more "job-oriented personal goals" to give to each manager he appraises. A company manual makes several suggestions about this phase of the work.

"These goals should be specific, measurable tasks which will contribute to the correction of performance weaknesses and the cultivation of individual strengths. Attention should be primarily directed to observed functional and manageria-

formance yet consideration must be given those personality traits which hamper an individual in carrying out the full responsibilities of the position."

The form used by the supervisor in listing the personal goals is shown in Exhibit 3. It is given the manager after the supervisor has gone over it with him. It may appear that SAED expects a lot from its 200 supervisors who appraise the work of others. This is true. An executive estimated that the average supervisor devotes a minimum of two hours to rating each of his subordinates and another hour to discussing the ratings and the goals with him afterwards. This may seem excessive time to some, but it does not seem at all excessive to SAED's management. "If the job isn't worth three or four hours per man per year," one executive observed, "it isn't worth doing at all. It seems to me we could devote even more time to our appraisal work."

Apparently the 200 raters agree with this sentiment. Last year 1,190 of the 1,200 managers and exempt employees then on the payroll were appraised. Thus less than 1% was missed for one reason or other. The managers know that the quality of the ratings they

make of others affects their own appraisals. Salary adjustments are tied in closely with the ratings, and this, too, serves to check hasty, careless work.

This is not to say that SAED believes there are no weaknesses in its appraisal plan. Weaknesses are recognized and efforts are made to correct them. An SAED spokesman said: "No plan that calls for just one appraisal per year can do the job fully that we want done here. Corrective action, whenever and wherever needed, should be taken promptly and should not be delayed until the rating period rolls around. And we feel sure we have a lot to learn about making the postappraisal discussion between the manager and his supervisor more valuable." It perhaps is significant to note in this connection that SAED currently is working with a team of university psychologists in an effort to learn under what conditions such discussions are most effective. Although SAED speaks with satisfaction today of its seven-year experience in management appraisal, it constantly is working to improve its performance and to make its program more useful to all concerned.

STEPHEN HABBE  
Division of Personnel Administration

## Management Bookshelf

**Australian Company Mergers, 1946-1959**—This study describes the Australian merger movement during the 1946-1959 period. It begins with an analysis of the development of merger activity during the period 1946-1956, the reasons underlying the development, the industrial distribution of the mergers, and their relationship to the growth of the largest companies; it then proceeds on to describe merger activity during the restrained prosperity period of 1956-1959. The study contains an analysis of the Australian merger law and compares it with corresponding United States legislation. By John A. Bushnell, Melbourne University Press, Melbourne, Australia, Cambridge University Press, London and New York, 1961, 223 pp., \$7.50.

**Management's Stake in Tax Administration**—This is a record of the annual symposium of the Tax Institute which dealt with problems of tax administration in connection with the income tax, sales and excise taxes, property assessments, and uniformity in state and local taxation. By Tax Institute, Inc., Princeton, 1961, 260 pp., \$6.

**Multi-Sectoral Study of Economic Growth**—This book deals with the development of a multisectoral model in order to determine investment, changes in employment, in total production, and in the terms of trade of each sector.

An empirical estimate of the parameters of the model provides a rough description of some major relationships within the Norwegian economy. By Leif Johansen, North-Holland Publishing Company, Amsterdam, 1960, 177 pp., \$4.50.

**Principles of Financial Analysis—A Study of Financial Management**—This is an introductory text for use in college courses in finance. It is divided into six parts: introduction, techniques of financial analysis, sources of financing, the process of financing, basic financial decisions, and adapting the financial structure. Particular emphasis is placed upon developing the student's ability to analyze and solve the financial problems of business firms. For this purpose numerous case problems are included. By Robert H. Wessel, The Macmillan Company, 60 Fifth Avenue, New York, New York, 1961, 376 pp., \$7.50.

**Radioisotopes for Industry**—A discussion of how radioisotopes can be applied to plant problems in a variety of industries. The book also includes chapters on personnel safety, facilities for handling radioisotopes and set-up costs. By Robert S. Rochlin and Warner W. Schultz, Reinhold Publishing Corporation, 430 Park Avenue, New York, New York, 1959, 210 pp., \$4.75.

# Our American Bill of Rights

The following explanation of our Bill of Rights was issued as an insert in the forty-eight "General News" newspapers of General Telephone & Electronics Corporation. In the Constitution and the first ten amendments known as the Bill of Rights (chiefly in the latter) are found the basic policy statements of the United States of America. They present goals based on beliefs of our founding fathers.

The material appeared originally in "All Hands," an internal publication of the U.S. Navy.



## ARTICLE ONE FREEDOM OF RELIGION, SPEECH, OF THE PRESS, AND RIGHT TO PETITION

*Article I: Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.*

**FREEDOM OF RELIGION.** The first Article of the Bill of Rights forbids Congress to favor any particular religion or to pass a law interfering with an individual's practice of religion. All religions are given the same freedom. We can worship in the church of our choice—or no church at all—whether it be Protestant, Catholic, Hebrew, Islamic, or any other. While our public schools may not teach any particular religion, our churches are free to establish their own schools for this purpose.

**FREEDOM OF SPEECH AND PRESS.** One of the most vital freedoms guaranteed by the first amendment is the right to speak and write freely. This is not, of course, an absolute and unrestricted right. The laws provide punishment for publishing obscene and libelous matter. Military secrets may not be published. And speech or writing that is intended to bring about the violent overthrow of the Government is punishable. But these restrictions are to protect our freedom and individual rights, not to limit them. We are free to criticize the Government from top to bottom and to advocate changes in it. We can listen to news broadcasts from all parts of the globe, read about, or see important events on TV and in news films as they happen.

**RIGHT OF ASSEMBLY AND PETITION.** The right of Americans to assemble peaceably and "to petition the Government for a redress of grievances" is another right we take very much for granted, because it has become an inseparable part of our way of life.

It means that any number of Americans can gather to discuss and protest against conditions in the community, state, or nation, and that they can make known what they want done about them. They can form social organizations for any peaceable purpose.

## ARTICLE TWO

### RIGHT TO KEEP AND BEAR ARMS

*Article II: A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed.*

Article II links the people's right "to keep and bear arms" to the need for a militia for the security of a free country. At the time the Bill of Rights was drawn up, it was feared that Congress might disarm the state militias. This amendment forbids such action. The right to bear arms, of course, does not prohibit Congress from taxing the sale of weapons and restricting their use (for example, carrying concealed weapons).

## ARTICLE THREE

### QUARTERING OF TROOPS

*Article III: No Soldier shall, in time of peace be quartered in any house, without the consent of the Owner, nor in time of war, but in a manner to be prescribed by law.*

This amendment provides for the protection of the individual by prohibiting the Government in time of peace from invading his privacy by quartering troops in his home; and in time of war only in accordance with the law. This was particularly important in the days when our Constitution was formed and could be equally important today if there were no such provisions to protect our rights.

## ARTICLE FOUR

### RIGHT OF SEARCH & SEIZURE REGULATED

*Article IV: The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.*

Declares the people's right "to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures," and states that no warrant for search or arrest shall be issued without good cause.

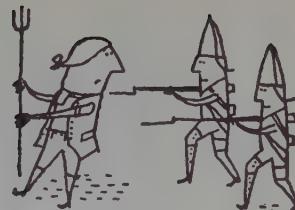
Under this amendment, our higher courts have been very careful to protect the rights of individuals who may have been arrested illegally, even though they might have been proved guilty of the crimes for which they were arrested. The protection against illegal arrest offers protection for all citizens, whether or not their actions may later be considered criminal.

## ARTICLE FIVE

### TRIALS FOR CRIMES; COMPENSATION FOR PRIVATE PROPERTY TAKEN FOR PUBLIC USE

*Article V: No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.*

Three of the five provisions of the Fifth Amendment are of great importance today.





1. Nobody can be forced to testify about things which may prove that he himself is guilty of a crime. Originally, the right not to testify against oneself applied only to a person undergoing a court trial. Later, the Supreme Court interpreted it to include persons testifying before Congressional committees. There have been a number of recent cases in which the Supreme Court has upheld the right of a person to refuse to answer questions of investigating committees on the grounds that his answer would "tend to incriminate him," that is, put him in danger of criminal prosecution.

The important word here is "criminal." Persons may be punished for contempt of court or of Congress if they refuse to testify on matters which do not put them in danger of criminal prosecution; for example, if they refuse to give their names.



2. Nobody shall be deprived of life, liberty, or property without due process of law, that is, a fair trial. This is one of the most vital clauses in the Bill of Rights. Today the Supreme Court interprets it to mean "not merely freedom from bodily restraint, but also the right of the individual to contract, to engage in any of the common occupations of life, to acquire useful knowledge, to marry, to establish a home and bring up children . . . and generally to enjoy those privileges long recognized at common law as essential to the orderly pursuit of happiness by free men."



3. No private property may be taken by the Government for public use without a fair price being paid. The Government does have the right to take private property for public use—for example, land on which an atomic energy plant or a dam is to be built—but this article protects the owner by stating that he must be paid "just compensation." If the Government and the owner disagree about the price, the question can be taken to court for decision.



## ARTICLE SIX RIGHT TO SPEEDY TRIAL, WITNESSES, ETC.

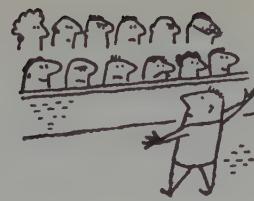
*Article VI: In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which district shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor, and to have the Assistance of Counsel for his defence.*

This amendment states that anyone accused of a Federal crime has a right to a speedy and public trial by an impartial jury in the state and district where the crime was committed. The person accused must be told what crime he is accused of, so that he can prepare his defense. The witnesses against him must appear in court, so that he can hear their testimony and cross-examine them (usually through his lawyer). The court must compel the presence at the trial of persons the accused wants to testify in his behalf. Finally, the court must see that the accused has a lawyer to defend him and provide one for him if he can't afford to hire one himself.

## ARTICLE SEVEN RIGHT OF TRIAL BY JURY

*Article VII: In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.*

This amendment provides the right of trial by jury in a civil law suit in federal courts about anything valued at more than \$20.



## ARTICLE EIGHT PROHIBITION OF EXCESSIVE BAIDS, FINES, AND CRUEL PUNISHMENTS

*Article VIII: Excessive bail shall not be required, nor excessive fines imposed, nor cruel and unusual punishments inflicted.*

The amount of bail required usually depends on the seriousness of the offense and on the offender's ability to pay. Cruel and unusual punishment has been defined as punishment that "is shocking to the sense of justice of the civilized world."



## ARTICLE NINE RIGHTS RETAINED BY THE PEOPLE

*Article IX: The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people.*

This amendment specifies that because certain rights are mentioned in the Constitution other rights not mentioned will not be taken away.

To list a few (you will think of others): The right to live where we want to and to travel freely about the country; the right to work at the job of our choice, and to leave it if we don't like it—even the right not to work if we can afford it; the right to travel to foreign countries.



## ARTICLE TEN RIGHTS RETAINED BY THE STATES

*Article X: The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people.*

The Constitution delegates the exercising of certain powers to the Federal Government; certain other powers are reserved for the states or the people.

Thus, a state may not coin its own money or make a treaty with a foreign nation because the Constitution states specifically that money-coining and treaty-making are functions of the national government. On the other hand, a state may establish a school system, rather than the National Government.



*Briefs on*

## PERSONNEL PRACTICES

### A Supermarket for Scientists

The scientists and engineers employed by the General Atomic Division of General Dynamics Corporation in San Diego, California, should be well qualified to help their wives with the week-end shopping. On work days, they push grocery carts up and down the aisles of a new kind of "supermarket," selecting the items they use in making atomic energy work for peace.

Displayed in neat array on the shelves of this self-service supply center are thousands of items which range from such staples as nuts and bolts, valves and tubing to specialty items that include tiny electronic components and precious metals.

General Atomic, in adopting the supermarket concept, has accelerated standard warehouse and stock-room practices. A maximum of only four hours is required for any item to be received at the warehouse, checked and weighed in at the 10,000 square-foot supply center, placed in stock, and checked out to a user.

### Novel Mailing Idea for Employee Magazines

There are four usual ways of mailing employee magazines: in an envelope; in a wrap-around (a sheet of paper enclosing the magazine but with top and bottom ends open); printing the recipient's address directly on the magazine, either in the margin or in a space on the cover left blank for that purpose; and attaching to the cover a sticker bearing the name of the addressee.

The Crouse-Hinds Company uses a novel idea in mailing its *Family Circle*. An outside sheet of manila paper is attached to the magazine with the "saddle-stitch" staples that hold the pages of the publication together. This protects the whole of both front and back covers of the magazine. The address of the recipient is stenciled in the center of the front false cover, viewed lengthwise. The name and address of the company are printed in color in the upper left hand corner, as is the usual bulk-mail permit in the upper right. Also printed in color on this secondary cover are "Here's Your Copy of Family Circle" and in the lower left hand corner, "News of Your Company—Products, Policies, Programs, People."

The outer paper cover can be torn off easily, and reader can see the magazine's cover design fresh unbroken by passage through the mails. It is estimated that up to \$100 a month is saved by using the jacket. Also, a day's time is gained in delivery of the magazine to the post office.

### All the World Needs Better Managers

The full potential growth of business throughout the world is being seriously delayed by a shortage of qualified managers. In some countries economic pressures—such as the rapidity of industrial expansion and foreign competition—are causing a shortage; in other countries, it results from a combination of economic and psychological problems.

One barrier to management development that appears to be quite prevalent, for example, is the lack of participation in training activity on the part of management. Men who have reached this level in some countries feel that they do not need further training or development. It is even considered an insult, in certain sections of the free world, to suggest that a successful senior manager might benefit from exposure to information about scientific management and the newer management techniques.

"Developing Better Managers: An Eight-Nation Study" discusses these and the other problems responsible for the international shortage of qualified managers. This special study was prepared for the International Industrial Conference, recently held in San Francisco, and jointly sponsored by Stanford Research Institute and THE CONFERENCE BOARD. The report, which is available to Conference Board Associates on request, examines in detail the current status of management training in Chile, France, Germany, Great Britain, India, Italy, Japan and the United States. It was conceived and planned by THE CONFERENCE BOARD and written by specialists in the above countries.

### 10,000-Mile Talk

A few days before the Royal McBee Corporation moved its executive offices from suburban Port Chester,

into the midtown area of New York City, President Fortune Peter Ryan and other top-management officials spoke to the employees in 110 division and district locations throughout the United States about the company's present plans and future goals. Their messages were carried over two telephone circuits that exceeded a distance of some 10,000 miles. This is believed to be the longest telephone hook-up ever arranged.

### Classroom in the Sky

Students attending the 1961 session of the New York Farmers Association's school of agriculture studied location and resources of the state's farm lands in a new kind of laboratory. It was a DC-3 converted into an executive-type plane seating fourteen. Four aerial tours of New York farm areas were made in this flying classroom; and, during the flights, a professor of land economics from Cornell University's college of agriculture provided a running commentary, lectures and interpretations.

### Economy in Flight

Combustion Engineering, Inc. has directed its employees who travel by air on company business to go coach. The company feels that while the difference between first class and coach accommodations has increased considerably so far as rider comfort and convenience are concerned, the savings in travel expense are still considerable. It expects, in this way, to substantially reduce air travel expenses which have been totaling over a half-million dollars a year. As a specific example of possible savings, it quotes \$175.70 for the first-class fare for a flight between Hartford and Los Angeles and \$114.50 as the coach fare for the same flight—a \$61.20 difference that represents savings of 34.8%.

### Dogs' Tale

Moving a plant to a distant location is not easy. There are always problems connected with the transfer of people and property. But when General Foods moved Gaines Dog Research Center from Ridgefield, Connecticut, to new quarters 900 miles away in Kankakee, Illinois, it faced the added problem of transferring eighty-five pedigreed dogs.

Speed and the animals' comfort in transit were important considerations. So the corporate traffic department of General Foods, working with Gaines personnel, arranged for trucks to drive the dogs from Ridgefield

to nearby New Haven. There, the dogs boarded a specially heated and equipped railroad car which had been divided into individual compartments to give the animals ample freedom to move about, yet keep them separated.

During the journey, the car was switched to four different trains and three different railroad lines. But the special care paid off. Within forty hours, all eighty-five dogs were contentedly wagging their pedigreed tails at their new Kankakee home.

### A Scientific Schedule

*Plane News*, the biweekly publication for employees of the Grumman Aircraft Engineering Corporation in Bethpage, New York, now features a calendar of events that not only reports the scheduled meetings of Grumman clubs but also lists those to be held by all scientific groups in the New York City metropolitan area of interest to Grumman personnel. Employees are urged to send prompt notice of such events to the publication's editors.

### Moving Expenses Paid by Length of Service

An employee of the United States Division of KLM-Royal Dutch Airlines may, in the event of a reduction in the work force resulting from transfer of work to another location, "elect to follow the work and fill any vacancy at the new location for which he is qualified." Furthermore, he is entitled to reimbursement for part or all of the transfer and travel expenses incurred in the move if he has two or more years of service. In labor contracts negotiated with several air transport locals of the Transport Workers Union of America, AFL-CIO, KLM has agreed to pay such moving expenses on the basis of the employee's length of service as follows:

<i>Employee's Length of Service</i>	<i>Percentage of Moving Expenses Paid by Company</i>
Less than 2 years .....	None
2 to 3 years.....	20%
3 to 4 years.....	30%
4 to 5 years.....	40%
5 to 6 years.....	50%
6 to 7 years.....	60%
7 to 8 years.....	80%
8 years or more.....	100%

To be eligible for these payments, however, the employee must be laid off at the old location within three months before or after the company transfers work to the new location.—J.R.O'M.

## *Labor Press Highlights*

# Labor Warned of Newest Right-to-work Tactic

UNIONISTS should be wary of the 1961 version of the "right-to-work boobytrap," warns Andrew J. Biemiller in the *American Federationist*. According to the director of the AFL-CIO's Department of Legislation, advocates of right-to-work legislation have been trying a "back-door approach"—that is, burying right-to-work clauses in legislation that on the surface has little if anything to do with labor-management relations. This tactic he calls a "broad campaign of duplicity against the nation's working people."

Mr. Biemiller states that this "back-door approach" was first used in 1961 in Oregon. In that state, a purported "civil rights" bill amending the Oregon Fair Employment Practices Act contained a nine-word phrase that constituted a right-to-work measure but had "no relationship to any civil right mentioned in the Constitution of Oregon or of the United States." The appropriate section would have prohibited any employer from refusing to hire or from discriminating against any person because of race, religion, color, or "*membership or nonmembership in any organization of any kind.*"

But for the alertness of a watchdog committee of the Oregon AFL-CIO, cautions Mr. Biemiller, the real intent of the phrase might have gone unnoticed. However, when the Oregon AFL-CIO pointed out that the measure "would nullify the union security clause in every collective bargaining contract in the state and set Oregon unions back at least four decades," the bill was killed by bipartisan action in the legislature.

Apparently, conjectures Mr. Biemiller, one of the hopes of those supporting right-to-work legislation is that by hiding right-to-work clauses in such measures as Fair Employment Practices Acts, support for such legislation will be gotten from powerful civil rights groups. In Oregon, however, the NAACP and the Urban League refused to support the proposal after the Oregon AFL-CIO explained its significance.

This "sneak attack" has not been limited to Oregon, says the AFL-CIO official. Similar approaches have been attempted in California, Vermont and Connecticut—states that had previously rejected recognizable right-to-work legislation.

In Idaho, a somewhat different approach has been

tried, he adds. There, the right-to-work advocate tempted to gain the support of Idaho potato farmers an agricultural right-to-work bill that would have applied not only to farm workers but also to any who handled agricultural commodities in almost any manner—and thus would have covered the majority of working people in that state. The wording of this bill, says Mr. Biemiller, was taken directly from a Louisiana right-to-work law covering sugar cane workers. Phraseology included such terms as "plantations" and "hurricanes," neither of which is indigenous to Idaho.

After several legislators had pointed out that measure would actually harm the state's potato farmers and benefit only the processing industry, the Idaho House of Representatives killed the bill by a vote of twenty-nine to twenty-five.

Advocates of right-to-work legislation have not given up their frontal attacks entirely, points out Mr. Biemiller. In three states—New Mexico, Maine and Oklahoma—easily recognizable right-to-work measures have been proposed this year.

## Unions Act To Increase Dues

During recent conventions, a number of unions have acted to increase their financial strength by amending dues structures. In most cases, higher dues paid at either the local level or by the local union to the international in the form of per capita tax will result from these changes.

The per capita tax of the independent Teamsters' union has been increased from 40 cents to \$1 per member per month. In addition, advises the *International Teamster*, minimum local union dues, set at \$5 per member per month, will rise by \$1 per month no later than January 1, 1962.

Members of the Molders' union, AFL-CIO, voted to raise dues to a straight \$5 per month, replacing a graduated dues structure of \$3 and \$4.

The *AFL-CIO News* also reports that the Plumbers and Pipe Fitters' convention voted to raise minimum local dues from \$2.50 a month to \$3 and to increase the per capita tax from \$1.50 to \$2 per month.

A special dues increase for the months of July, August and September was voted by the independent United Plant Guard Workers of America. This amounted to \$10 per month for members earning more than \$1.75 per hour and \$7.50 a month for those earning \$1.75 per hour or less. Effective October 1, reports *Guard News*, dues will be \$5 per month for all members.

The American Newspaper Guild convention vetoed a per capita hike, but agreed to a reallocation of dues money. From the per capita tax of \$1.80 per member per month, \$1.30 (previously \$1.20) will be set aside for the union's general fund. This change, says the *AFL-CIO News*, was needed to balance the general fund budget, which last year had shown an \$18,000 deficit. The remaining 50 cents of per capita money (previously 60 cents) will be allocated to the union's defense fund.

#### **Miners' Welfare Fund Reports Income Drop**

The United Mine Workers' Welfare and Retirement Fund has reported a \$16 million deficit for the fiscal year ending June 30, 1961. *District Fifty News* states that while \$133 million was spent, only \$117 was received. The unexpended reserve of the retirement fund is now down to \$99.8 million.

The fund is financed principally through a 40-cent royalty on each ton of coal mined at bituminous mines. In an effort to bring expenses into line with income, trustees of the fund reduced monthly pension payments from \$100 to \$75 beginning February, 1961.

The following breakdown shows how the \$133 million was spent during the year:

- \$69.9 million for pensions
- \$55.0 million for hospital and medical care
- \$3.7 million for funeral expenses, widows and survivors' benefits, and mine disaster benefits.

Administrative costs of the Washington office and ten area medical offices accounted for the balance of expenses.

#### **AFL-CIO Safety Institute Graduates Its First Class**

The National Safety Training Institute, recently founded by the AFL-CIO, has graduated its first class in Washington, D. C.

During the one-week course twenty-five students from eighteen international unions were tutored by experts from the United States Bureau of Labor Standards in such courses as beginning safety instruction,

working with chemicals, and radiation hazards, reports the *UIU Journal*, monthly publication of the Upholsterers' International Union. Upon return to their local union, these graduates are expected to teach these safety courses to still other union members.

This program marks the federation's first venture as a sole sponsor of safety courses, although it has cooperated through the years with government and labor courses, says the *UIU Journal*. Four of these one-week courses will be conducted this year. Each class, says the union monthly, will be limited to twenty-five students. While there is no tuition charge, the sponsoring union must pay for the pupils' transportation, room and board.

#### **Labor's Share of Network Time**

After compiling what it terms the first complete guide to radio and television programs sponsored and produced by the AFL-CIO, *The Machinist* offers some interesting statistics on labor's share of network time in the United States. According to the newspaper of the International Association of Machinists, AFL-CIO, some 947 separate programs, including 271 on television, are broadcast over 880 stations for a total of over 300 hours of airwave time each week. These programs can be received throughout forty-nine of the fifty states.

The AFL-CIO buys air time as a sponsor for only one of the current programs, "Edward P. Morgan and the News." *The Machinist* indicates that for the remaining programs, the federation pays only production costs, air time being donated by the individual stations as part of their public service scheduling.

AFL-CIO President George Meany explains the purpose of the programs in these words: "The AFL-CIO is on the air not to preach or propagandize. Our programs are designed as a public service. They explore public issues on a nonpartisan basis. They seek to stimulate discussion of all points of view."

#### **FOUR Accused of Making "Scurrilous" Charges**

A union organizers' union, the Federation of Union Representatives (FOUR), is getting little sympathy from top union officials in Alabama. The Alabama State Federation of Labor has denounced FOUR as having made "scurrilous" charges against the International Ladies' Garment Workers' Union, AFL-CIO, and for trying to influence some ILGWU members to drop out of the union.

According to the ILGWU's newspaper, *Justice*, this denunciation of FOUR was contained in a letter sent

from the president of the Alabama Federation to all city central labor bodies in that state. The letter followed an appeal for funds by FOUR.

FOUR is composed of a group of ILGWU organizers and business agents who have been seeking recognition from the ILGWU. Earlier this year, the ILGWU announced that while it was opposed to unions of organizers or business agents, it would legally oppose only those organizations that included business agents, since the duties of the latter are "editorial" in nature.<sup>1</sup> Following an NLRB election last May, the director of the New York Regional Office of the National Labor Relations Board recommended that FOUR be certified as a bargaining agent. The ILGWU has appealed the regional director's decision.

The ILGWU maintains that members of FOUR place allegiance to an outside organization above loyalty to their own union. Instead of utilizing internal union appeal channels, FOUR members have gone against labor tradition and taken their case directly to the NLRB and the public press. Now, says the ILGWU paper, "they are throwing mud at the ILGWU and its members, the union and the workers whose interests they are pledged to safeguard, the union and the workers from whom they accept salary."

Countering FOUR's charges that it is antiunion, the ILGWU declares that FOUR members have "unilaterally set themselves up as judges of who is antiunion." The garment union adds: "Apparently, the ILGWU is antiunion only because it opposes a union of union officers who, if FOUR had its way, would be in the position of sitting on both sides of the bargaining table. . . . In their eyes, the General Executive Board is anti-union because it considers it a duty to the membership of the ILGWU to test the May election results through every possible and available legal means."

#### **Teamsters Begin "Operation Hope"**

The Teamsters' union has mixed a perfume-filled spray atomizer, a famous medical center, and politics, and come up with what it terms a "unique" combination of political education and community service.

The perfume is being given as an added inducement for joining DRIVE, the Teamsters' equivalent of the AFL-CIO's COPE (Committee on Political Education). A major campaign to enlist active memberships at \$3 a year is currently underway among Teamster members and their wives. According to the *International Teamster*, a portion of each \$3 membership will go to DRIVE

<sup>1</sup> See "ILGWU Opposes Union of Its Organizers," *Management Record*, April, 1961, p. 31.

headquarters, another portion to the local union grass-roots political action, and the remainder to City of Hope, the nonprofit medical and research center in Southern California. The union magazine does indicate a more specific allotment of funds.

The Teamsters' union calls the two-in-one project "Operation Hope," because it combines "the hope offered to humanity by the medical center" with that offered by a politically informed citizenry.

#### **Meany Opposes Discrimination in Apprenticeship**

The AFL-CIO has endorsed a bill that would direct the Labor Department to help minority groups get apprenticeship training.

"There is racial discrimination in apprenticeship and vocational training programs," said President George Meany, in testimony before a House Labor subcommittee, "and we in the AFL-CIO . . . want it ended."

Although he has reservations about some provisions of the bill, the AFL-CIO president called it a first step in ensuring equal job opportunity. But what is really needed to combat discrimination, he added, is full employment, together with a national Fair Employment Practices Act with "full powers of enforcement."

#### **Office Employes' Withdraw from IUD**

The Office Employes' International Union has ended its affiliation with the Industrial Union Department of the AFL-CIO. This action was taken, states *White Collar*, after the IUD had twice failed to invite the Office Employes' Union to a white collar workshop. The union, which has been disturbed, says its journal, by IUD forecasts that future white-collar unionization would be accomplished by industrial unions.

MARIE P. DORBANDT  
*Division of Personnel Administration*

**Labor's Story**—Compiled by three labor union publicists and editors, widely known in their field, this book is designed to show how labor tells its own story. It is a collection of stories from eighty-nine union newspapers illustrating union viewpoints in situations involving bargaining, organizing, unemployment, legislation, strike, job security and many other subjects. The authors, who score the daily press generally for unfairness in reporting labor news, acknowledge that labor papers are partisan and aim at "agitating as well as educating." Edited by Gordon H. Cole, Leon Stein and Norman H. Sobe, Community Publishers, Glen Cove, New York, 1961, 348 pp., \$5.50.

## Significant Pay Settlements

Company, Union <sup>1</sup> and Duration of Contract	Pay Adjustments	Fringe Adjustments
<b>DURABLE MANUFACTURING</b>		
American Cement Corporation (Riverside Cement Company Division) with <i>Cement, Lime &amp; Gypsum Workers</i> in Riverside, California. 585 hourly Effective 5-1-61. Old contract expired New contract: 2 years	6¢ per hour general increase. 10¢ and 15¢ (were 8¢ and 12¢) per hour shift differentials Deferred increase: Additional 8¢ per hour effective 5-1-62	Added: 8th paid holiday; jury duty pay provisions Revised: Company payment of full cost of employees' health and welfare benefits and 80% (was 50%) of dependents' cost; \$4,000 (was \$3,000) group life insurance; pension plan providing \$2.60 (was \$2) per month per year of service, including total and permanent disability provisions, vesting provisions and joint and survivor provisions
Person Radio and Phonograph Company with <i>Employees in Jersey City</i> , New Jersey. 1,100 hourly Effective 7-24-61. Old contract expired New contract: 28 months	4¢ per hour general increase Deferred increase: Additional 5¢ per hour effective 10-1-62	Revised: Pension plan extended to 7-31-66 providing a lump-sum reserve payment to the beneficiary of an employee who dies
Irbanks Morse & Company (Beloit Division) with <i>Employees in Beloit</i> , Wisconsin. 1,800 hourly Effective 8-16-61. Old contract expired New contract: 1 year; pension agreement, 5 years	5¢ per hour general increase	Revised: Pension—new formula with \$60 maximum, deferred vesting at age 40 and 15 years' service in case of layoff or permanent plant shutdown; increased life insurance; weekly sickness-accident benefits increased to \$47.50
Bolsman Instrument Corporation with <i>Employees in Elmhurst</i> , Long Island, N.Y. 3,000 hourly Retroactive to 7-1-61. Old contract expired New contract: 3 years	2% general increase Deferred increase: Additional 3% effective 2nd year; additional 2½% effective 3rd year	Revised: Severance pay in case of layoff up to 2 weeks' pay for an employee with 4 (was 5) years; health and welfare plan; additional day of paid sick leave for total of 6 days annually after 10 months of service
Lockheed Aircraft Corporation with <i>Engineers &amp; Scientists Guild Ind.</i> in Burbank, California. 2,750 hourly and salaried Effective 8-8-61. Contract expired New contract: 2 years	2¼% increase on a blanket basis (\$3 to \$5 per week); 1.8% in a merit pool (with \$3 minimum) covering 50% of salaried personnel; 7¢ per hour general increase for hourly personnel; 5¢ additional increase for Labor Grade 7; and reclassification of some jobs resulting in increases up to 21¢	Added: Flight pay of \$5 per hour in jets, \$3 in propeller aircraft; Revised: Vacation provisions
Metite Hardware Corporation with <i>Amsters Ind.</i> in St. Louis, Missouri. 190 hourly Retroactive to 6-1-61. Old contract expired New contract: 3 years	6¢ per hour general increase Deferred increase: Additional 2½¢ 12-1-61; additional 4¢ 6-1-62 6-1-63 and 12-1-63	No change
<b>NONDURABLE MANUFACTURING</b>		
Diamond Alkali Company with <i>Chemical Workers</i> in Kearny, New Jersey. 139 hourly Effective 8-21-61. Contract expired New contract: 2 years	7¢ per hour general increase Deferred increase: Additional 7¢ per hour effective 2nd year	Added: Agreement to negotiate severance pay in event of plant closing Revised: \$90 (was \$50) per month maximum pension; 4 weeks vacation after 20 (was 25) years
Hanlon & Johnson with <i>Textile Workers (TWUA)</i> in New Brunswick, New Jersey. 1,500 hourly Effective 5-15-61. Old contract expired New contract: 1 year	6¢ per hour general increase plus inequity adjustments in certain craft jobs	Revised: Increased company contribution to Blue Cross-Blue Shield
Sally-Springfield Tire Company with <i>Rubber Workers</i> in Cumberland, Maryland. 1,800 hourly Retroactive to 6-6-61. Old contract expired New contract: 2 years	7½¢ per hour general increase Deferred increase: Additional 7¢ effective 6-11-62	Added: 8th paid holiday Revised: Vacations—3 weeks after 10 and 4 weeks after 22 years' service
Imperial-Clark Corporation with <i>District 50, UMW, Ind.</i> in Niagara Falls, New York. 1,500 hourly Effective 6-9-61. Old contract expired New contract: 1 year	5¢ to 11¢ general increase, equivalent to 3%	Revised: 4 weeks' vacation after 20 years effective 1-1-62; insurance plan; pension plan

## Significant Pay Settlements—continued

Company, Union <sup>1</sup> and Duration of Contract	Pay Adjustments	Fringe Adjustments
Mohasco Industries, Inc. with <i>Textile Workers</i> in Amsterdam, New York. 1,600 hourly Effective 5-28-61. Old contract expired New contract: 1 year	No general increase reported	Revised: \$400 to \$500 lump-sum payment to employees at retirement based on years of service; \$1,500 (was \$1,250) life insurance coverage to remain in force up to 5 months during layoff; \$33 per week sickness and accident benefits for up to 13 weeks
U. S. Rubber Reclaiming Company, Inc. with <i>Rubber Workers</i> in Cheektowaga, New York. 250 hourly Retroactive to 6-19-61. Old contract expired New contract: 2 years	3½¢ per hour general increase Deferred increase: Additional 4¢ effective 6-18-62	Revised: Vacation benefits
<b>NONMANUFACTURING</b>		
Consolidated Water Power & Paper Company with <i>Papermakers</i> in Stevens Point, Wisconsin Rapids, Biron and Wisconsin River, Wisconsin. 3,300 hourly Effective 5-1-61. Old contract expired New contract: 1 year	3% (6¢ per hour minimum for women, 7¢ minimum for men) increase. 3rd shift differential increased from 12¢ to 13¢	Revised: Pro rata vacations in event of termination
Niagara Mohawk Power Corporation with <i>IBEW</i> in upstate New York. 7,300 hourly Effective 6-1-61. Old contract expired New contract: 1 year	4% (12¢ per hour average) general increase	Revised: Life insurance benefits; medical plan
Public Service Company of Indiana, Inc. with <i>IBEW</i> in Plainfield, Indiana. 1,425 hourly Effective 5-1-61. Old contract expired New contract: 1 year	3.86% (10.69¢ per hour) general increase; classification adjustments; 8¢ and 12¢ (were 6¢ and 9¢) per hour shift premiums	Revised: Hospital and disability insurance benefits; 3 weeks' vacation after 10 (was 12) years effective 1-1-62
U. S. Metals with <i>Mine, Mill &amp; Smelter Workers Ind.</i> in Carteret, New Jersey. 1,400 hourly Effective 7-1-61. Old contract expired New contract: 1 year	7¢ to 9¢ per hour general increase; additional 2¢ per hour on shift differentials	Added: Vesting provision in pension plan Revised: 3¢ (was 2¢) per hour clothing allowance for some employees; major medical plan liberalized

<sup>1</sup> All unions are affiliated with AFL-CIO unless otherwise indicated.

## In the October Business Record

**Business Highlights**—Many economists have been predicting a \$590-billion GNP should a climb in activity of boom proportions through late 1961 and much of 1962 occur. Both the prospects and implications of so high a figure are analyzed in this article. Also treated are the ancillary questions of where the extra demand might appear and how many new billions of the total are likely to be dissipated by cheapened money instead of adding to consumption.

**Consumer Markets**—Reading against the pattern of past experiences, conditions are ripe for a vigorous upturn in the consumer sector. Indicators pointing toward near-by improvement are cited, as are long-term changes in consumer demand trends.

**Improving Control over Capital Expenditures**—Many companies have reduced to a minimum the problems associated with managing their capital expenditures by establishing procedures that ensure adequate preparation of original proposals, keep capital spending within specified limits, and provide a check on results after projects are completed. These procedures, discussed in this month's "Survey of Business Opinion and Experience," are illustrated by the reproduction of forms used in connection with capital proposals and post-completion audits.

## Studies in Personnel Policy

- No. 181—Following Up Attitude Survey Findings
- No. 180—Personnel Procedure Manuals
- No. 179—Top Executive Compensation
- No. 178—Severance Pay Patterns in Nonmanufacturing
- No. 177—Compensating First-Line Supervisors in Factory and Office
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- No. 174—Severance Pay Patterns in Manufacturing
- No. 173—Compensation of Top Executives
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- No. 171—Company Medical and Health Programs (Revised)
- No. 170—Automobile Allowances for Sales Personnel
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- No. 168—Charting the Company Organization Structure
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- No. 163—The Company and the Physically Impaired Worker
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- No. 154—Company Payment of Moving Expenses
- No. 153—Improving Staff and Line Relationships
- No. 152—Employment of the College Graduate
- No. 151—Tuition Aid Plans for Employees
- No. 150—Handbook of Union Government, Structure and Procedures
- No. 149—Pension Plans and Their Administration

Published by THE CONFERENCE BOARD  
460 Park Avenue, New York 22, N. Y.

Canadian Office 505 Dorchester Boulevard West, Montreal 1



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